

**ARD / CAPP  
COLOMBIA AGRIBUSINESS  
PARTNERSHIP PROGRAM**



**THIRD QUARTER REPORT FY '05  
APRIL TO JUNE 2005**

**July 2005**

Submitted to:

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USAID/Colombia

Bogotá, Colombia

Under USAID Contract No. PCE-I-00-99-00001-00 T.O. #820



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**Report Prepared for the United States Agency  
for International Development**

**Colombia Agribusiness  
Partnership Program**

**Third Quarter Report  
FY '05**

**July 2005**

Work Order No. 820  
“Rural and Agricultural Incomes with a Sustainable Environment (RAISE) IQC”  
USAID Contract No. PCE-I-00-99-00001-00



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## Acronyms

APS	Annual Program Statement
ARD	Associates in Rural Development, Inc.
CAPP	Colombia Agribusiness Partnership Program
CCN	Cooperating Country National
DCA	Development Credit Authority
IR	Intermediate Result
MOU	Memorandum of Understanding
RBP	Request for Business Plans
SO2	Strategic Objective #2
TBD	To Be Determined
USAID	United States Agency for International Development
LOP	Life of Program
WCF	World Cocoa Federation

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## 1. Executive Summary

CAPP's objective is to help Colombian private sector customers develop and sustainably implement large agribusiness projects that provide an alternative source of licit family income, establish a substantial quantity of new hectares of licit crops and provide significant employment opportunities in geographic areas susceptible to illicit production. CAPP is being implemented through a five-year, US\$41.5 million USAID/Colombia contract with Associates in Rural Development, Inc. (ARD) of Burlington, Vermont, USA.

The process CAPP uses to efficiently and effectively assess and develop proposals started with a potential customer responding to the CAPP Annual Program Statement (APS)/Request for Business Plans (RBP). Also, eleven proposals were assigned to CAPP by USAID as a result of a joint USAID/Plan Colombia Convocatoria (hereafter called Convocatoria proposals or Projects). Concept papers and proposals received were then guided through a four-step process - Screening, Assessment, Development, and Implementation. Before a proposal can be passed into the next stage in the process the Review Committee, composed of USAID and CAPP senior staff, must approve it using pre-established evaluation criteria.

As of 30 June 2005, CAPP had received 134 proposals via our APS/RBP (119) and the USAID Convocatoria (11) and four proposals for expanding successful projects. All proposals received have been screened and Assessed, 98 were rejected or put into Inactive Status, 3 are still in Development and the Review Committee has passed 33 into Implementation. The 33 Projects passed into Implementation involve cotton, fruit, African palm, cacao, fique, banana, tamarillo and chili peppers, will require \$24.6 million (or 11.6 %) in CAPP support out of a total investment of \$211.5 million, will result in the planting of over 53,500 hectares of new land in or near where coca or poppy is currently grown, will positively benefit more than 13,460 families and will create over 6.8 million new workdays.

Aggressive development of the challenging Convocatoria proposals has resulted in all but one of the active Convocatoria proposals being passed into Implementation by the RC, and four of the ten active Convocatoria proposals have been signed. Other CAPP proposals were also progressed; five were passed into Implementation by the Review Committee during this Quarter and four Standard Grants were signed. Four grants were modified to update progress reporting formats, replace the original Award Budget due to numerous staffing changes, and to change the payment method, and two grants were closed. A Contract Modification was received and approved that increased total funding by \$3.5 million and transferred two new proposals to CAPP.

Challenges to the rapid and smooth forward movement that CAPP addressed during the Quarter included: FINAGRO resistance to 100% loan guarantees and Banco Agrario resistance to disbursement of approved loans, both for cacao proponents, and application for a Contract Mod to resolve Local Labor cost issues.

The major area of focus for the next Quarter is passing the last three proposals into Implementation for a total of 36. The total investment in these 36 Projects will be \$230.7 million and CAPP's participation \$26.4 million, or 11.4% of total new investments. The 36 Projects will result in an increase of 63,243 hectares of new, licit agricultural production, an estimated 14,800 families directly will benefit from new, legal income creation and nearly than 6.8 million new workdays will be created in licit activities.

Other key areas of focus for the Fourth Quarter include: increasing the level of disbursements to projects; competing and signing at least two financial auditing time & materials-type agreements and establishing a Project auditing schedule; resolving the Local Labor budget issue; continuing to reduce FINAGRO's resistance to 100% guarantees and Banco Agrario's resistance to disbursing approved loans, both for cacao projects; developing a more complete employee and consultant security program; adjusting CAPP's Project support budget to utilize a more current exchange rate; and implementing the initial stage of the WCF Farmer Training Schools.

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## **2. Background and Proposal Development and Project Implementation Processes Overview**

### **2.1. Background**

The Colombia Agribusiness Partnership Program (CAPP) was designed to further USAID/Colombia's Strategic Objective 2: Promote Economic and Social Alternatives to Illicit Crop Production. The objective of CAPP is to help agricultural producers and others involved in illicit products shift into legal activities or remain uninvolved in illicit coca and poppy production.

This shift is being accomplished by providing responsible, larger, new and already existing Colombian agribusinesses with an effective combination of financial, training and technical support services to help them develop new or significantly expanded businesses ("Projects") that will increase and sustain income opportunities in or near areas where illicit crops are produced. CAPP provides 1) pre-implementation technical assistance and training needed to produce commercially viable business plans, 2) linkages with other sources of development and implementation support, 3) technical assistance and training to support Project implementation and 4) "up-front" financial assistance to facilitate Project implementation.

These new business and income opportunities will draw people away from involvement in illegal activities while sustainably strengthening the Colombian private sector.

CAPP is being implemented through a five-year, US\$41.5 million USAID/Colombia contract with Associates in Rural Development, Inc. (ARD) of Burlington, Vermont, USA.

An important underlying principle of CAPP is that we are a *catalyst* to help our *customers* develop and sustainably (financially, environmentally, socially, and managerially) implement Projects that meet CAPP objectives. CAPP is not a direct participant in Projects, or the main source of support for Projects. CAPP is helping private sector customers develop and sustainably implement Projects *they want to do* that are consistent with CAPP's objectives.

The information presented in this Quarterly Report is for the first 29 months (late January 2003 to 30 June 2005) of CAPP in order to coincide with USAID's reporting cycle. All references to Quarter in this report relate to USAID's Fiscal Year, i.e., First Quarter is October 1 – December 31, Second Quarter is January 1 - March 31, Third Quarter is April 1 - June 30 and Fourth Quarter is July 1 - September 30.

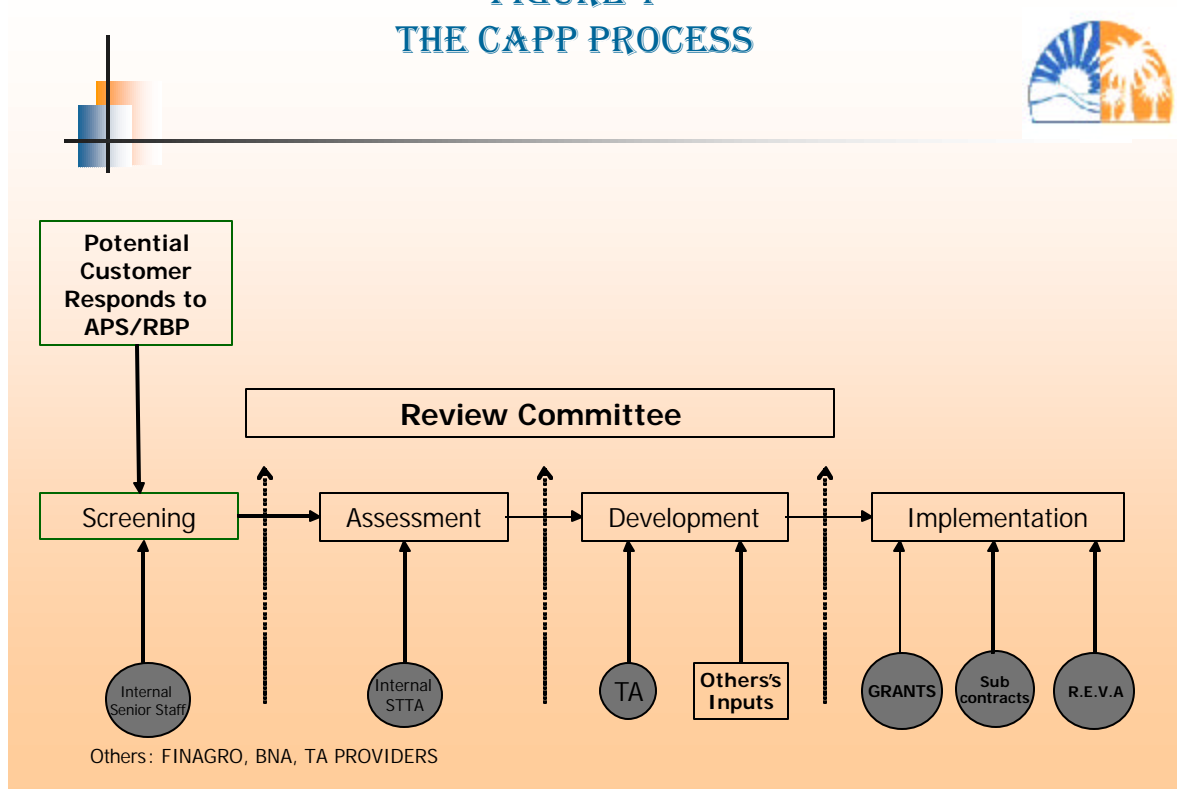
### **2.2. Proposal Development and Project Implementation Processes Overview**

The process CAPP has used to efficiently and effectively assess and develop proposals started with a potential customer responding to the CAPP Annual Program Statement (APS)/Request for Business Plans (RBP). Concept papers and proposals are then guided through a four-step process. These steps are Screening, Assessment, Development, and Implementation.

Before a proposal can pass into the next stage in the process, the Review Committee must approve it using pre-established and weighted criteria. The Review Committee is composed of USAID and CAPP senior staff, and uses pre-established criteria to evaluate each proposal. See Figure 1 below for an illustration of the CAPP process.

Screening, which has now been completed for all APS/RBP proposals received, was done exclusively by CAPP long-term agribusiness professional staff. Each proposal that was screened and passed into Assessment by the Review Committee was assigned a Coordinator, managed by a CAPP Task Force Leader, who is responsible for expediently, efficiently, and effectively moving the proposal through the system. Outside technical assistance is provided directly or via customer reimbursement as needed to support Assessment and Development.

**FIGURE 1**  
**THE CAPP PROCESS**



Technical and up-front financing assistance is used to support successful implementation of approved Projects. Implementation is usually supervised by the same Coordinator that helped the proponent develop their proposal into a Project. CAPP has developed and is utilizing a Review, Evaluate, Verify and Advise (REVA) system for signed Projects, and currently uses monthly invoice payment documentation as well as the REVA progress reports for each type of supported activity as a means of enforcing project implementation information flows and monitoring implementation progress.

The objective of these development and implementation efforts is to identify, develop and support Projects that will have a sustainable and positive impact on economic alternatives to participation in illicit crop production. To achieve our objectives during the Quarter we continued to place emphasis on developing and bringing to Implementation good Projects. To do this we worked closely with the other necessary sources of support to “fast track” those proposals with the highest potential. These other sources of support included Finagro for customer loan guarantee approval, commercial banks such as Banco Agrario, for rapid customer financing approval, USAID for Environmental Review approval and external sources of technical assistance. All of these sources of support are necessary to expediently develop the information needed to confirm potential Projects’ financial, managerial, social and environmental sustainability, and then launch the Project. Therefore, the speed at which CAPP can develop a potential Project is greatly dependent on the other supporters of that potential Project.

### **3. Significant Accomplishments during the Quarter**

#### **3.1. Overview**

As can be noted in Figures 6 and 8 below, CAPP’s average percentage contribution to the total cost of potential projects or Projects that were in Development and Implementation at the end of the Third Quarter was 9% and 11.6% respectively. This means that if the proposals currently in Development are passed to Implementation, plus those already in Implementation, a CAPP investment of \$26.5 million



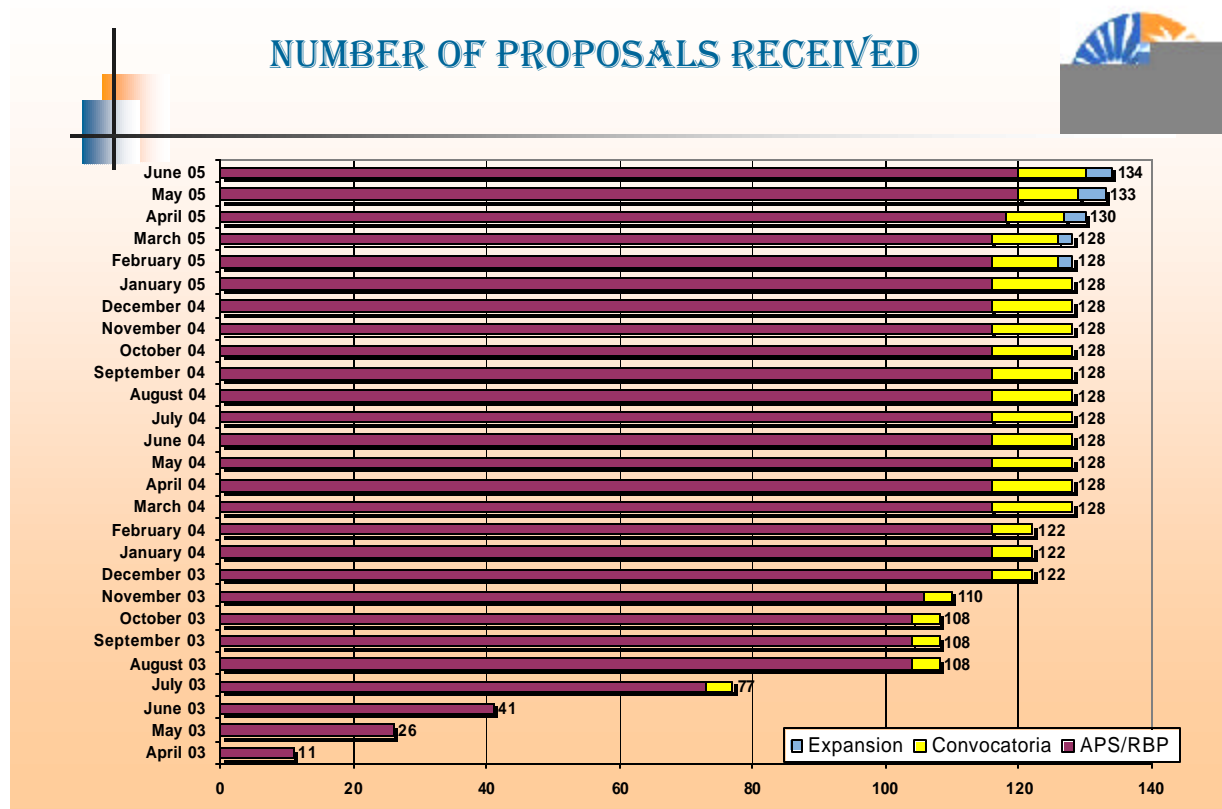
would stimulate total new investments of \$231.7 million in Projects located in or near areas where illicit crops are grown. This represents excellent leveraging (11.4%) of USAID resources.

Now that 33 Projects have been passed into Implementation, CAPP's major focus has shifted to completing the agreements, most often grants, associated with the support CAPP will be providing to these Projects, and helping customers implement their approved Business Plans. However, we continue to emphasize moving the last three proposals through Development so that all Projects will be launched by the end of the USAID Fiscal Year 2005.

### 3.2. Proposals Received

In the Third Quarter CAPP did not accept any new proposals via an APS since all APSs have expired. The initial CAPP APS/RBP had an expiration date of 15 July 2003, the second more specific APS/RBP expired 31 August, and the last, even narrower and more specific APS/RBP expired on 31 December 2003. However, two new Convocatoria proposals were received from USAID and four APS/RBP proposals were received to expand existing projects. As of June 30, 2005 CAPP had received a total of 134 concept statements or proposals from potential customers (Figure 2). Of the total number of proposals received by CAPP, 119, or 89%, were in response to CAPP APS/RBPs, 11, or 8%, were from the Convocatoria and four (3%) were expansion proposals.

FIGURE 2



### 3.3. Proposal and Project Development Results

#### 3.3.1 Screening

During Screening, CAPP internal agribusiness specialists evaluate the potential for a proposal to meet pre-established CAPP screening criteria. During the Third Quarter no proposals were still in the

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Screening. Therefore, all proposals received as of 30 June, not including the Convocatoria proposals that entered directly into Development, have been screened. Fifty-one of the APS/RBP proposals were passed from Screening into Assessment, 40 were Rejected during Screening, and 31 were placed on Inactive status from Screening waiting for actions outside of CAPP's control. Most of the proposals that have been turned down were rejected because of their small size, or characteristics inconsistent with CAPP's objectives. On a LOP basis, 42% of proposals Screened have passed at least into Assessment.

### **3.3.2 Assessment**

During Assessment CAPP Coordinators work with potential customers, and possibly other potential project supporters such as FINAGRO and the BNA, to gather more details on the potential project and assess its prospects based on a pre-established set of assessment criteria. No proposals were in Assessment during the Third Quarter.

For the LOP, of the 51 proposals approved into Assessment, 32 completed Assessment, were presented to the Review Committee and were passed into either Development or Implementation. Therefore, all Assessment stage proposals presented to the Review Committee were passed into Development. Fifteen proposals were either Rejected or put on Inactive status from Assessment. Given that CAPP Coordinators, and/or other CAPP staff have done all the work regarding proposal Assessment, no outside technical assistance has been used for Assessment.

### **3.3.3 Profiles of Active Proposals and Projects**

The following section provides information on proposals and Projects that have passed both Screening and Assessment and were in either Development (3) or Implementation (33) at the end of the Quarter. These are called active proposals and Projects.

#### **3.3.3.1. By Geographic Area**

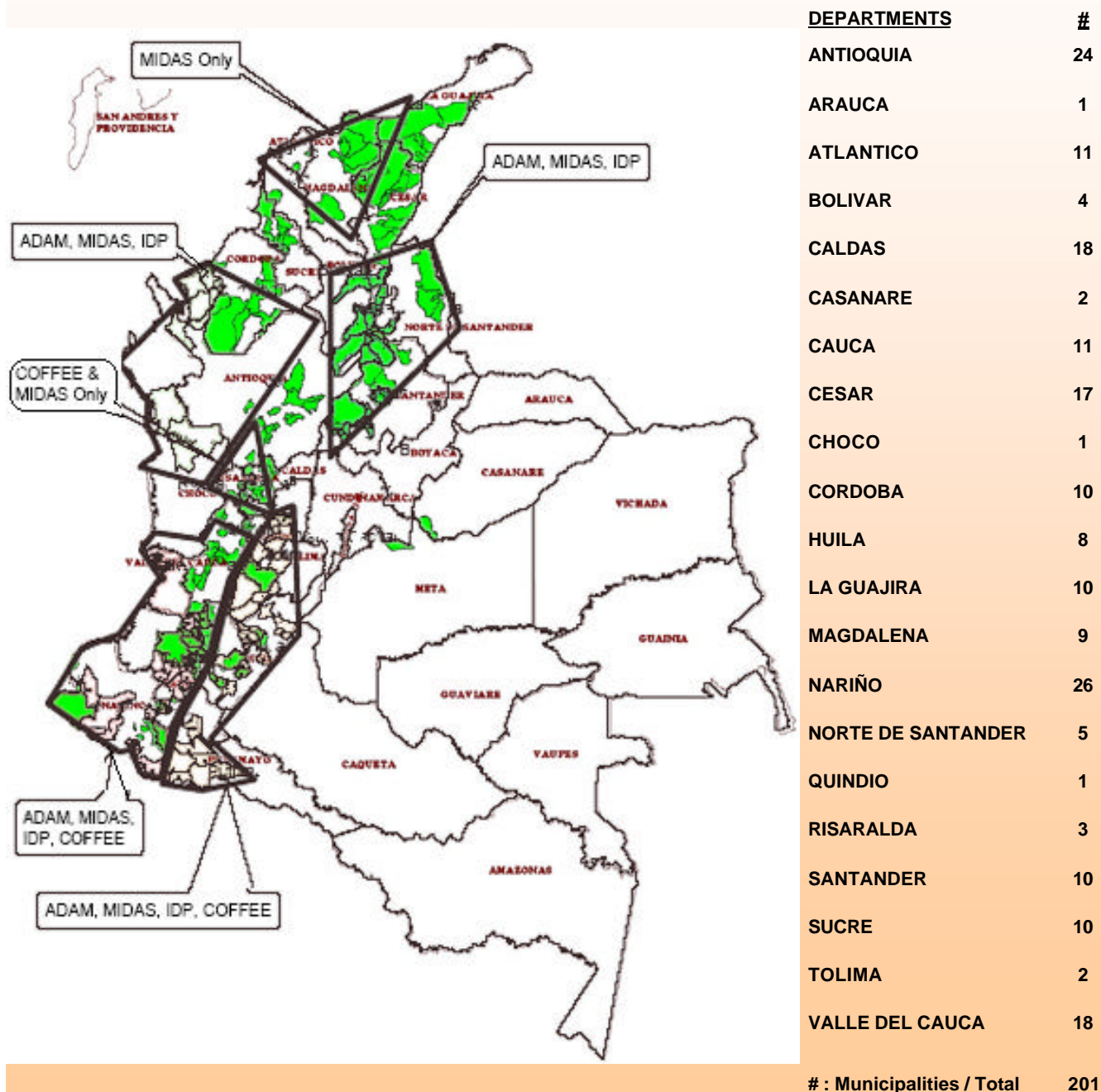
As illustrated in Figure 3, the 32 proposals and Projects that are presently active, including proposals that were accepted directly into Development, are located in 201 different Municipalities and 21 different Departments in or near where coca or poppies are currently grown.

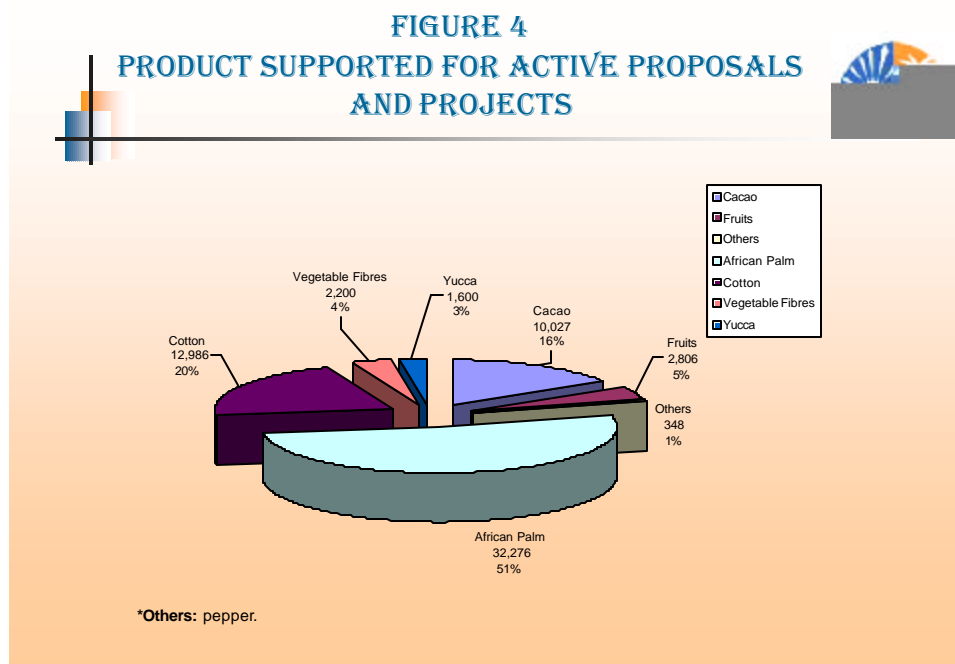
It is interesting to note that there is considerable overlap between USAID's six new areas of geographic focus and the location of active CAPP proposals and projects. Figure 3 shows both the municipalities where CAPP has projects and the USAID Growth corridors. The projects in CAPP's portfolio have plantings in 29 of the 81 USAID target municipalities.

#### **3.3.3.2. By Product Produced**

Figure 4 shows the distribution of hectares to be planted for the six main product categories for the 32 active projects, with African Palm (51%), Cotton (20%) and cacao (16%) being the most numerous. Including fruits, more than 76% of CAPP's support is for the development and implementation of projects involving long term crops. This emphasis is positive from the standpoint of the period of time the land will not be available to plant illicit crops, but does mean that the time required to develop these projects is quite lengthy. These longer term crops require an extensive development period and do not produce marketable output for several years. Therefore, sources of sustenance income, such as short-term crops, during the years before the main crop will be in production are often included in the project structure. This is the case for cacao that uses plantain production in the first three years as a cash crop.

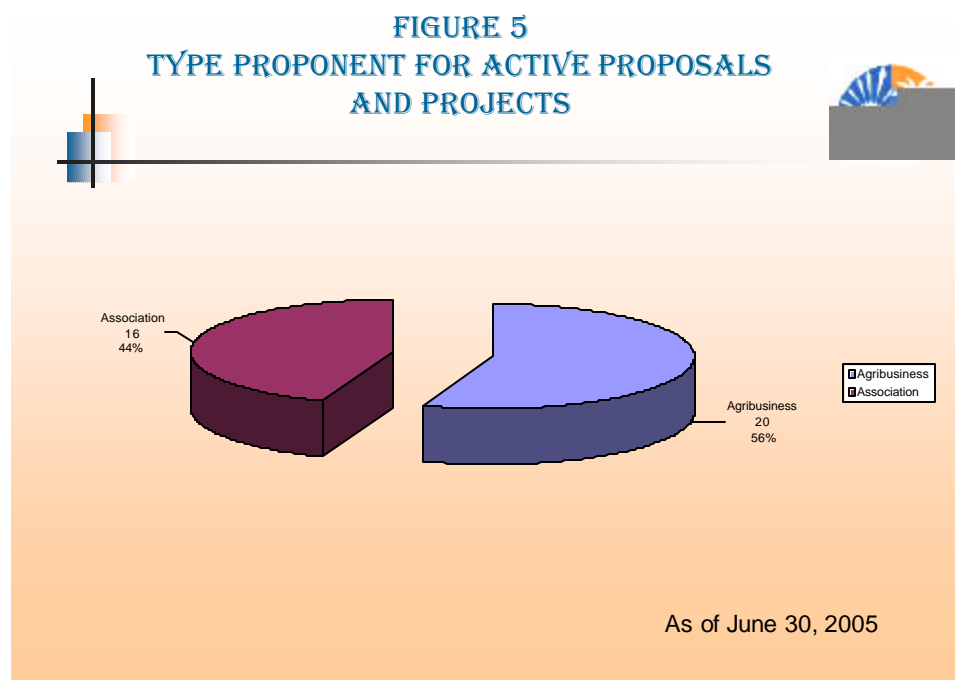
**FIGURE 3**  
**NUMBER OF PROPOSALS BY**  
**GEOGRAPHIC AREA FOR ENTIRE**  
**CAPP PORTFOLIO**





### 3.3.3.3. By Type Proponent

As can be noted in Figure 5, active proposals and Projects are from both agribusinesses (56%) and producer associations (44%). Agribusiness proponents are generally interested in backward integration and/or an increased or more secure source of raw materials. Producer Associations are most often interested in forward integration and/or securing an assured market for their output, and thereby a source of financing to expand their operations.



### 3.3.4 Development



During Development, the full business plan, financial projections, agreements, and detailed implementation plans, including M&E and environmental protection, required for the potential Project are drafted in preparation for Implementation. Of the nine proposals that were in Development during this quarter, three were in the phase at the beginning of the quarter (#065, #089 and #127) and one entered from Inactive (#089). Additionally, during the quarter, two Convocatoria projects were received (#130 and #131) and four applications for cost extensions or new contracts (#27-03, #29-02, #025 Ext. and 41 - 19) were received.

During the Quarter, substantial work was done to prepare these nine proposals for Implementation. During the process of developing a proposal, i.e., as the technical, managerial, financial, and environment analysis and the compliance work proceeds, the size and level of detail in the Project Description increases and usually reaches around 30 pages. Some outside technical assistance was utilized for this work. During the Quarter one proposal (#089) was moved from Development into Inactive.

As of 30 June, CAPP has utilized three Fixed Obligation Grants and two Purchase Order to enable potential customers (Fedecacao - #001, Fedecacao - #007, Agrofrut - #012, Empaques del Cauca - #027, and #065 - E.A.T Agrocultivos de Yuca) to acquire needed technical assistance. The total value of these agreements is \$135,098.

Three proposals were still under development at the end of the Third Quarter. A brief description of these potential Projects is shown in Figure 6. The total cost and CAPP's share of these potential Projects may change before the end of Development. Therefore, the implied \$1.9 million or 9% of total investment, CAPP contribution is likely to change.

**FIGURE 6**  
**PROPOSALS IN DEVELOPMENT PHASE**



**PROPOSAL STATUS REPORT AS OF JUNE 30, 2005**

PROPOSAL NUMBER	DESCRIPTION	PRODUCT	TOTAL COST (USD \$000)	CAPP AMOUNT (USD \$000)	CAPP %	HA. DIRECTLY IMPACTED	FAMILIES DIRECTLY IMPACTED
<b>DEVELOPMENT</b>							
131	ASOCATI	CACAO	\$ 3,643	\$ 836	23%	593	262
# 29 -02	HUGO RESTREPO Y CIA.	PEPPERS	\$ 2,339	\$ 225	9.62%	150	98
# 41-19	FINAGRO COTTON	COTTON	\$ 14,180	\$ 800	5.64%	8,000	600
	<b>TOTAL:</b>	<b>3</b>	<b>20,162</b>	<b>1,861</b>	<b>9%</b>	<b>8,743</b>	<b>960</b>

Total: 3 proposals

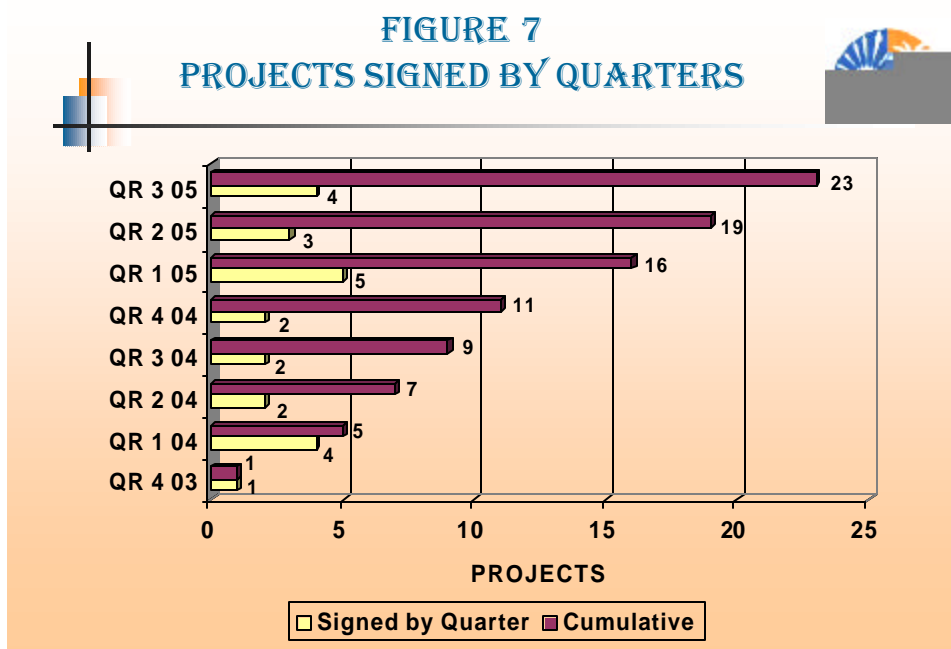
As of June 30, 2005

### 3.3.5 Implementation

Implementation begins immediately after the Review Committee approves a Project into Implementation. The grant or subcontract is then prepared and submitted to AID for Technical and/or Contract Officer approval. The full set of documents submitted to USAID will reach 60 - 100 pages. After USAID approves the support instrument, Implementation agreements, currently 24 - 27 month Standard Grants, with our customers are signed and Project support can be then provided. CAPP continues to play a significant role in the Project by managing Grant or Subcontract disbursements, and monitoring Project results via their M&E and Environmental Management programs as well as REVA progress reports submitted for each supported activity. The new REVA system significantly enhances CAPP's "fingers on the pulse" of Projects in Implementation.

During the Third Quarter Development was completed on five Projects (#027-03, #065, #127, #025 Ext. and #130), that were formally passed into Implementation by the RC. A summary of all 33 Projects that have been passed into Implementation is shown in Figure 8. As can be noted from this figure CAPP will be committing \$24.6 million, or 11.6% of total investment, to these Projects while other supporters will be investing \$186.9 million. The projected number of hectares and families positively impacted by these 33 Projects will be over 53,500 and 13,464 respectively, and nearly 6.8 million workdays of employment will be created over the term of CAPP's support.

Figure 7 illustrates the progress of implementation agreements actually signed. The steps between a proposal being passed into Implementation and a support agreement being signed include development of the support instrument, USAID approval of the instrument, and lending bank approval of the loans needed to support the project. Since some projects can not be implemented without the loans needed to support them, there is sometimes a delay between USAID approval of a support instrument and the signing of that support instrument caused by waiting for loan approvals. As can be noted from Figure 7, four projects had grants signed in the Third Quarter, bringing the total number of Projects signed LoP to 23.



## FIGURE 8

### PROPOSALS IN IMPLEMENTATION PHASE

PROPOSAL STATUS REPORT AS OF JUNE 30, 2005\*

\* New adjusted dollar values.

PROPOSAL NUMBER	DESCRIPTION	PRODUCT	TOTAL COST (USD \$000)	CAPP AMOUNT (USD \$000)	CAPP %	HA. DIRECTLY IMPACTED	FAMILIES DIRECTLY IMPACTED	EMPLOYMEN T GENERATED (workdays)
<b>IMPLEMENTATION</b>								
1	FEDECACAO in Santander	CACAO	6,269	580	9.26%	700	175	234,478
12	AGROFRUT S.A. in Antioquia, Caldas, Cesar, Huila and Risaralda	FRUIT PULP	6,500	525	8.07%	673	1,005	262,013
23	COMPAÑIA ENVASADORA DEL ATLÁNTICO in Bolívar, Cesar, Córdoba, La Guajira, Magdalena and Sucre	PASSION FRUIT	8,033	760	9.46%	1,483	813	459,200
25	CIA DE EMPAQUES in Antioquia, Caldas and Nariño,	FIQUE	1,228	236	19.19%	800	1,334	80,000
27	EMPAQUES DEL CAUCA in Cauca	FIQUE	1,024	137	13.35%	600	1,000	77,970
29	HUGO RESTREPO Y CIA in Caldas, Cauca, Quindío, Tolima and Valle del Cauca	PEPPERS	1,102	149	13.52%	198	108	511,424
31	C.I. TEQUENDAMA S.A. in Magdalena	PALM	2,072	297	14.32%	1,130	111	40,680
32	EL ROBLE S.A. in Magdalena	PALM	2,856	223	7.80%	1,560	91	58,500
35	COMPAÑIA PALMERA DEL SUR DE BOLÍVAR in Bolívar	PALM	6,794	911	13.41%	2,000	200	137,050
40	NANYANVA in Huila,	CACAO	6,866	1,124	16.36%	600	180	137,280
41	PATRIMONIOS AUTÓNOMOS in Cesar and La Guajira	COTTON	4,688	222	4.74%	4,986	274	322,296
45	PALMARES DEL PÓRTICO LTDA (P. Col) in Santander	PALM	3,600	800	22.22%	1,500	150	83,865
46	CACAO DEL CESAR in Cesar	CACAO	2,548	750	29.43%	500	160	240,000
48	FUND. ALTO MAGDALENA (P. Col) in Huila	CACAO	3,550	752	21.18%	510	85	174,787
50	COPROAGROSUR in Bolívar	PALM	922	158	17.13%	400	100	25,388
52	PROPALMA in Casanare, Cesar, Magdalena, Nariño and Santander	PALM	34,200	856	2.50%	10,000	1,250	480,000
56	GRADESA S.A. in Atlántico, Cesar, Chocó, La Guajira and Magdalena.	PALM	2,076	257	12.37%	1,132	137	64,786
64	CORDEAGROPAZ in Nariño	PALM	11,417	1,058	9.27%	3,054	436	259,187
65	INDUSTRIAS DEL MAIZ in Atlántico	YUCCA	13,989	758	5.42%	1,600	733	97,013
79	ECOBIO COLOMBIA LTDA in Cesar, La Guajira and Magdalena	CACAO	7,642	780	10.21%	2,000	524	184,500
82	ASBAMA in Magdalena	BANANA	3,234	362	11.19%	400	276	52,818
95	FRUTIMACIZO S.A. in Cauca and Huila	TOMATE DE ARBOL	1,558	98	6.27%	250	250	55,925
117	COMPAÑIA AGRÍCOLA DE SERVICIOS ESPECIALES S.A. in Antioquia	CACAO	11,687	1,563	13.38%	1,500	600	432,000
119	C.I. TEQUENDAMA S.A. in Bolívar	PALM	13,963	1,785	12.78%	5,000	598	438,937
123	FUNDESCAT (P. Col) in Norte de Santander	CACAO	6,726	1,407	20.93%	1,200	240	279,940
124	U.T. ALDEA (P. Col) in Norte de Santander	CACAO	6,861	1,323	19.28%	1,224	245	519,490
125	PROMOTORA HACIENDA LAS FLORES S.A. / ASOGPADOS (P. Col) in Norte de Santander	PALM	15,992	2,847	17.80%	4,000	400	412,800
125P	PROMOTORA HACIENDA LAS FLORES S.A. (P. Col) in Norte de Santander	PALM	5,117	703	13.74%	0	32	220,320
126	PROMOTORA HACIENDA LAS FLORES S.A./ ESTAM (P. Col) in Norte de Santander	PALM	6,004	1,321	22.00%	1,500	150	140,100
127	PROCAUCHO (P. Col) in Santander	CACAO	6,136	1,238	20.18%	1,200	240	203,840
130	ASOGPADOS (P. Col) in Norte de Santander	PALM	3,712	53	1.43%	1,000	134	N/A
# 25 EXT.	CIA DE EMPAQUES in Antioquia, Caldas and Nariño,	FIQUE	1,728	277	16.03%	500	833	58,372
# 27 -03	EMPAQUES DEL CAUCA in Cauca	FIQUE	1,444	267	18.49%	300	600	26,727
<b>TOTAL:</b>		<b>33</b>	<b>\$211,537</b>	<b>\$24,576</b>	<b>11.62%</b>	<b>53,500</b>	<b>13,464</b>	<b>6,771,686</b>

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### **3.3.5.1. Expanded Description of Projects Passed Into Implementation**

Following is a brief profile of the five Projects passed into Implementation in the Third Quarter. See Appendix 4 for an overview of the 28 Projects previously passed into Implementation.

#### **Industrias del Maiz – #065**

The objective of this Project is to develop 1,600 new hectares of yucca (“manioc” or “cassava”), directly benefiting 733 small grower families in the municipalities of Santa Lucía, Suán, Candelaria, Campo de la Cruz, Repelón, Manatí, Sabanagrande, Polonuevo, Malambo, and Santo Tomás, Department of Atlántico. A total of 30 grower associations will be involved in the Project via their respective grower-members.

CAPP will provide support for a period no greater than 28-months via a Standard Grant to IDM in the amount of approximately US\$758,844. IDM will hire operator EAT-Agrocultivos de Yuca to perform training activities and technical assistance, and will contract a feasibility study and pre-designs for a potential expansion of a starch production plant in Malambo. EAT was the party responsible of the pre-implementation phase of the project.

The financing needs of the six year Project are approximately US\$14 million. CAPP support represents approximately 5.4% of the total funds required.

The IDM starch plant of Malambo has a capacity of processing 40,000 tons of yucca per year. Current utilization is approx. 24,000 tons. With the project, IDM will transfer its know-how in industrial production to the grower associations to be created during the project life. It is expected that the project will create a regional agro-industrial cluster using the most advanced agricultural and industrial technologies.

#### **Procaucho – Project # 127**

The objective of this Project is to plant 1,200 hectares of cacao in the municipalities of Landázuri and Cimitarra, Barrancabermeja, Department of Santander. Two Hundred and forty (240) families will directly benefit via three grower associations. This is a former Convocatoria proposal that was transferred to CAPP for development.

The total investment will be US\$6.1 million and CAPP will provide up to **US\$1.2 million** to Procaucho via a Standard Grant with a 24 month term, to end no later than October, 2007. These resources are equivalent to 20.18% of total Project Cost, which is in the range of CAPP support for Convocatoria projects. CAPP’s support will be primarily for Project coordination, training, the cost of FAG guarantees, fiduciary services, loan approval coordination, and 22% of the cost of the nursery plants.

C.I. CAACAO S.A. will sign purchase contracts with the three grower associations involved to buy the Project’s entire production.

The Project suffered delays due to the fact that it was not possible to obtain a loan and the fact that those involved in the industrial component had to withdraw from the project.

#### **Asogpados – Project # 130**

This project's initial operator was Chemonics via the USAID-supported CAD project, but they were only able to support part of the project, and completed the planting of 1,000 hectares. The project is still in need of support, and requires technical assistance for the maintenance phase. The growers fulfilled and even exceed their eradication goal during the first phase of the project.



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This is an important Alternative Licit Income Generation Project. CAPP is developing two projects in this region, and the growers involved will be watching closely the development of these 1,000 hectares.

The Association will use these 1,000 hectares to request another loan in 2006 to expand their cultivated area in Tibú, therefore these plantations must be in excellent condition, thereby requiring CAPP technical assistance. CAPP will provide a grant of US\$53,000 to Asogpados to supervise the implementation of this project.

### **Empaques del Cauca – Project # 27-3 Extension**

The objective of the second phase of this project is to plant 300 new hectares of fique, which is equal to 1,200,000 nursery plants, benefiting 600 families in the municipalities of Cajibío, Caldono, El Tambo, Silvia, Totoró, Popayán, Morales, Piendamó, Rosas, Sotará and Timbío. The project will continue to provide technical assistance for growers involved in the first phase.

The first phase was completed in June 2005 having achieved indicators of 1,103 families benefited, 10% above target, and creating 122,000 workdays for families involved. 594 new hectares of fique were planted. Currently, 415,440 nursery plants are ready to be planted, which is more than 100 additional hectares.

ARD/CAPP considers Phase One a model project because it is an example of appropriate management of grant resources as well as the timeliness and thoroughness of both technical and financial reports. During the first two years of Phase II (CAPP's LOP), 26,727 workdays will be generated, and during the 20 year life cycle of the project more than 18 million workdays will be generated, benefiting growers and their families.

Until the crops begin commercial production (during year three of the project) it is estimated that approximately US\$1.4 million will be invested to develop the 300 hectares of fique. Assistance via bank loans is not been contemplated. This means that Empaca will contribute US\$ 290,000 (20.4%) in seeds, fertilizers, biologic pesticides and transportation costs; growers will contribute US\$880,000 (61.1%) in in-kind contributions of: labor, organic fertilizer and tools; while ARD/CAPP will donate US\$260,000 (18.5%) for the technical assistance program, training, soil and seed analysis, as well as administrative expenses.

### **Compañía de Empaques de Medellín - # 25 Extension**

The Project is currently finishing its activities. The Project's main achievements were: 1,656 families benefited, exceeding initial goals in more than 24%, and planting 800 new hectares of fique. Currently, nursery plants are ready to be planted, which would exceed the initial goals by 55%. During Project development, 28 grower associations and other related organizations were created and/or strengthened.

The training program surpassed its goals in the estimated number of sessions and those trained. Training has had a positive impact due to the fact that growers have been taught to consider all of their planting and farming activities as an organized sustainable business. Additionally, there is great interest on behalf of the growers to work the extension project.

Support has been received from Productive Alliance and clean production programs, in addition to ISAGEN, Ministry of Agriculture, the Secretaries of Agriculture of Antioquia and Nariño, and Empresas Públicas de Medellín. Corantioquia, Cornare and some municipalities and local government entities supported for fique producers in Oriente Antioqueño, San Vicente, Concepción and San Rafael.

Although ARD/CAPP did not support the research and technological development component of the Project during Phase I, Compañía de Empaques designed, built and tested a new fique defibering machine, which is not only safer and more efficient in fiber processing, but also has lower operation costs.

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Additionally, the National University in Medellín is doing research on nutrient requirements during the different stages of development and growth of fique plants.

The Project may be considered as a model project in the management of USAID funds, as well as an example of proper technical and financial report-making. Empaques has a motivated and capable team.

### Phase II Objectives

The objective of the Project extension is to plant 500 new hectares of fique in 49 municipalities, in the departments of Antioquia, Risaralda, Caldas and Nariño. This project would benefit 833 small grower families. The portion of production that complies with quality standards for industrial processing (approximately 80%) will be bought by Empaques at market prices, the remaining amount will be sold for artisan activities.

Fique will be planted along the edge of fields alongside potatoes, corn, beans, coffee, sugarcane and some other fruits.

Compañía de Empaques S.A. will be the proponent, operator and integrator of the project and will administer grant resources. Empaques will be in charge of managing the agricultural and managerial technical assistance and will also complete ARD/CAPP reports. Empaques will buy the fique fiber at market prices that complies with industrial processing quality standards.

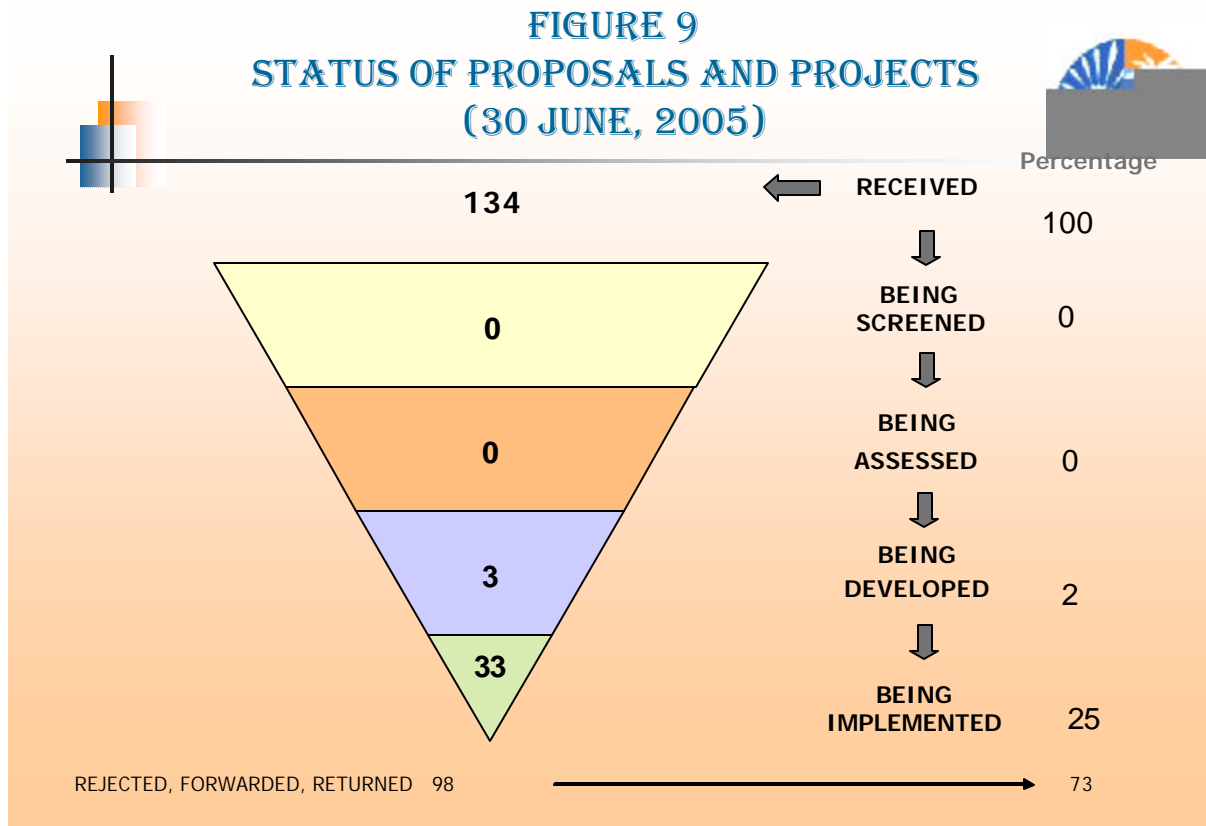
The Growers: have committed to Empaques to plant fique on their farms, and participate with in-kind contribution, including supplies, in order to plant an average of 2,400 plants (0.6 hectares each). They have also agreed to attend four training sessions and to follow the technical recommendations provided by the project staff. When production is ready, the growers will sell all production that meets quality specifications as established in the purchase agreement to Empaques.

Project investments, estimated until the crops have begun their productive phase have been budgeted at USD\$1.7 million. The main sources are: Empaques with USD \$320,000 (18%), Growers with USD \$1.2 million (68%) and ARD/CAPP with USD \$240,000 (14%). ARD/CAPP funding will pay for technical assistance to the growers and training support for a period of one year.

### **3.4. End of Quarter Status of Proposal Development and Project Implementation**

Figure 9 provides a summary of the status of all active proposals and Projects as of 30 June 2005 in number and percentage. While it was relatively easy and cost effective to move proposals through the Screening and Assessment phases, Development is more time and resource intensive. During Implementation, the real work starts. As can be noted from Figure 9, as of 30 June 27% of concept papers and proposals received are still active, 2% are in Development and 25% are in Implementation. Of the 36 active proposals and Projects 8% are in Development and 92% are in Implementation.

Appendix 2 contains a listing of all inactive proposals as of the end of the Third Quarter presented as Inactive and Dropped. Appendix 3 lists the departments and municipalities positively impacted by active proposals and Projects.

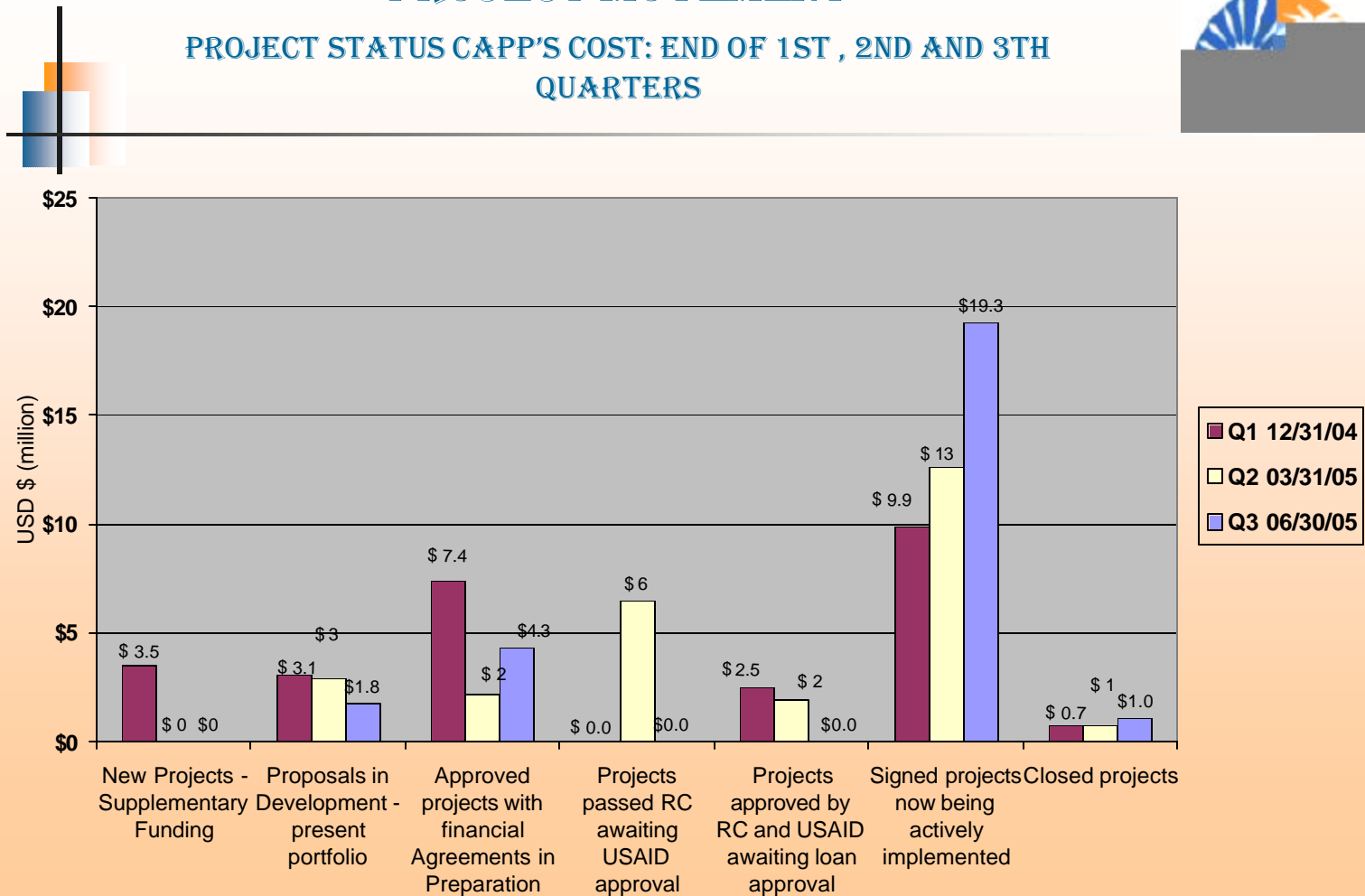


The Figure 10-A illustrates the change in CAPP's cost of proposals and Projects in various stages of development and implementation at the end of the First, Second and Third Quarters. As can be noted from this chart the total CAPP cost of Proposals in Development at the end of the Second Quarter declined by \$1.2 million dollars by the end of the Third Quarter, and signed projects increased by \$6.3 million. Projects passed into Implementation and having financial agreements being prepared and/or waiting on USAID and/or loan approval decreased by \$6.2 million.

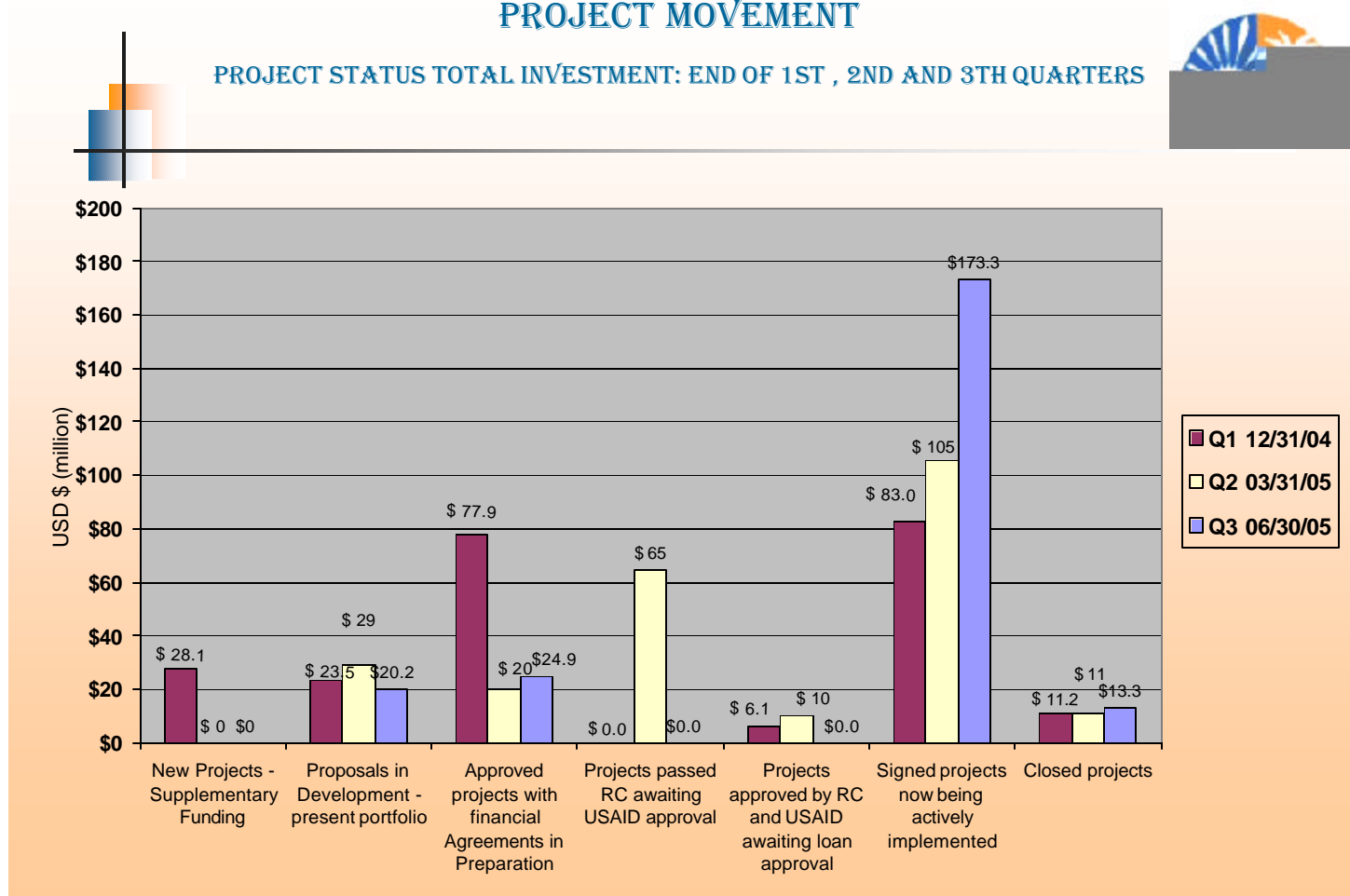
The Figure 10-B shows the variation in the total investment of proposals and Projects in different stages of development, implementation and signed at the end of the first, second and third Quarters. As can be noted in this chart the total investment of projects signed at the end of the third quarter increased by \$68.3 million. The total investment in approved projects that are waiting to be signed increased by \$71 million.

## FIGURE 10-A PROJECT MOVEMENT

PROJECT STATUS CAPP'S COST: END OF 1ST , 2ND AND 3TH  
QUARTERS



**FIGURE 10-B**  
**PROJECT MOVEMENT**



### 3.5. Convocatoria Projects Implementation

Intensive work continued to take place during the Quarter to finalize the development of full proposals and support agreements for the Convocatoria potential Projects. Many of these proposals came to CAPP without operators and very few had identified buyers willing to provide forward contracts. The original proposals did not anticipate the utilization of bank loans, but rather expected a high percentage of total costs via a grant. Therefore, they were not sustainable commercial projects. As a result of substantial work by CAPP staff, the proposals were restructured and proponents were helped to find operators, buyers willing to sign forward contracts and banks willing to lend to these higher risk potential projects; the latter involved extensive work with Finagro to get their support for the loans. Therefore the proposals were converted into commercial and bankable CAPP-type projects.

An overview of the eleven active and one inactive Convocatoria projects, including their status as of 30 June, is shown in Figure 11 below. As can be noted from this Figure, CAPP will be contributing an estimated \$12 million, or 18.8% of total investments, to these eleven Projects, assuming all are implemented as planned. This will result in nearly 13,300 new hectares of licit long-term crops being planted and significant new benefits to nearly 2,100 families. CAPP's percentage of support for Convocatoria projects (18.8%) is significantly higher than our percentage of support for CAPP APS/RBP Projects (11.6%) because the Convocatoria projects are being developed as a combination of both social and commercial projects and tend to be in geographic locations where project development is more expensive due to their remoteness. However, it should be noted that CAPP's percentage support is dramatically lower than that provided by other USAID Alternative Development programs, and the sustainability of CAPP reworked projects is significantly better.

**FIGURE 11**  
**CONVOCATORIA PROJECTS**

CONVOCATORIA PROJECTS - 06/30/05

PROJECT No.	PROONENT	MUNICIPALITIES	PRODUCT	NEW HECTARES	FAMILIES BENEFITIED	WORK DAYS	TOTAL INVESTMENT US\$ '000	CAPP SUPPORT US\$ '000	STATUS
45	PALMARES EL POTICO	Sabana de Torres and Puerto Wilches, Santander	African Palm	1,500	150		3,600	800	Passed to Implementation on August 06/04. Will be placed on Hold during Quarter 4 2005.
46	CACAO DEL CESAR	Agachica and La Gloria, Cesar	Cacao	500	160		2,548	750	Passed to Implementation on August 18/04. Being re-structured.
47	CORDEAGROPAPZ	Tumaco, Nariño	Cacao	-	-		NA	NA	Inactive
48	FUNDACIÓN ALTO MAGDALENA	Tanqui and La Plata, Huila	Cacao	510	85	25,388	3,550	762	Agreement Signed, in Implementation
123	FUNDESCAT	Cicota, Puerto Wilches, Santander and Tibú, Norte de Santander	Cacao	1,200	240		6,726	1,407	New proposal received from Chemonics week of March 15/04. Passed to Implementation Phase on September 21/04. To be signed during Quarter 4, 2005.
124	U.T. ALDEA	El Zulia, Norte de Santander	Cacao	1,224	245		6,861	1,323	New proposal received from Chemonics week of March 15. Passed to Implementation Phase on 09/28/04.
125	U.T. HACIENDA LA FLORES / ASOGPADOS	Tibú, and Sardinata, Norte de Santander	African Palm	4,000	400		15,992	2,847	Passed to Implementation on July 16. Grant agreement signed on 10/26/04.
125 - P	HACIENDAS LA FLORES S.A.	Tibú, Norte de Santander	African Palm Crushing Plant	-	32		5,117	703	Passed to Implementation on August 27/04. A decision was made to group 125, 125P and 126. These 3 projects will be awarded to Hacienda La Flores as one Umbrella Grant on separate project description and award subjects. Grant agreement signed on 10/26/04.
126	U.T. HACIENDA LA FLORES / ESTAM	Tibú, Norte de Santander	African Palm	1,500	150		6,004	1,321	Passed to Implementation on July 16. Grant agreement signed on 09/28/04.
127	PROCAUCO	Barrancamerija, Bolívar, Landisuri and Cimarrá, Santander	Cacao	1,200	240		6,136	1,238	New proposal received from FUPAD week of March 15/04. Passed to Implementation on 05/19/05. Modifications being made in order to change exchange rate and re-structure activities.
130	ASOGPADOS	Tibú, Norte de Santander	African Palm	1,000	134		3,712	53	This Project has been operational for many years and the CAPP support shown (\$51,000 USD) is the additional support required in order to help the Proponent complete its project needs, thereby increasing its chances of success.
131	ASOCATI	Tibú, Norte de Santander	Cacao	590	262		3,643	836	The project installation was supported initially by Chemonics. CAPP support shown (\$836,000 USD) is the additional support required in order to help the Proponent complete its project needs, thereby increasing its chances of success. To be passed to implementation during Quarter 4, 2005.
<b>TOTAL</b>				<b>13,227</b>	<b>2,098</b>	<b>25,388</b>	<b>63,889</b>	<b>12,030</b>	

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### **3.6. Other Key Accomplishments during the Quarter**

#### **3.6.1 Agribusiness**

- Agribusiness efforts over the last quarter were dedicated to three main goals:
  - Increasing the level of disbursements to the projects by providing hands-on assistance to grantees in order to improve the quality of invoices submitted and supporting documentation;
  - Reinforcing technical support to the 33 projects that are currently in implementation, and at least two of the three additional projects that are close to beginning implementation. This includes professional support to operators to get bank resources, and assistance in project organization to improve project disbursements so grant related activities can be performed on schedule; and
  - To speed up the signing of grants for approved projects and complete the restructuring of some projects to assure successful start up.
- To achieve these goals; the Agribusiness team was strengthened with the transfer of staff from the Finance team to fill newly created positions of Assistant Project Coordinator (APC). Three of the four Project Coordinators (PCs) have been allocated APCs to enable the Agribusiness Team to assume a hands-on role in project follow up, support, invoice processing, and at the same time to advise project operators to obtain bank loans. The primary goal is to dramatically speed up the rate of disbursements made to Grantees.
- Disbursements in the April-June quarter reached \$1.35 million, a substantial increase over the \$593,000 achieved in the previous quarter. Projections for the next two quarters are ambitious, being \$2.5 million for the 4th Quarter and \$4 million for the 1st Quarter of '06. However, our ability to meet this important performance metric will depend to a great extent on whether disbursements of bank loans are made available to our grantees in the near future. This is the most serious question facing CAPP at the present time.
- In all projects being implemented, REVA training was performed. This new follow-up system has enabled grantees to improve reporting mechanisms, standardize reports and improve invoicing.
- A specific activity in the Quarter was support to the development of C.I. CAACAO, a newly established company that has signed purchase contracts with CAPP-supported grower associations, or project proponents affiliated with the CAPP cacao projects. CAPP made project budget adjustments for cacao projects to adapt them to the World Cocoa Federation/Escuelas de Campo (WCF/ECA) training methodology, and has also supported courses that have been performed both in Ecuador and Colombia that trained future ECA trainers.

#### **3.6.2 Finance**

- The audit of the fixed and variable expenses of Fundalianza for the period June 1 thru December 17 was completed and a final settlement was agreed. The four grantees connected with Fundalianza have now invoiced CAPP.
- Provided training to 5 new grantees on monthly reports and invoicing.
- Completed due diligence work for no cost extensions of 3 projects.
- Completed a desk audit of two projects.
- Reviewed dozens of Biodatas for partial modifications of award budgets.

#### **3.6.3 M&E and Environment**

##### **M&E**

- Completed initial field verification visit for eight projects and ongoing field verifications for 11 projects.
- Completed office visits to three projects to train them on the use of M&E formats, and on presentation of monthly indicator and environmental reports.
- Made an auditing visit to project #023 to verify information received on training activities, families benefited and hectares planted and their supporting documents.

- Performed flights over the farms of projects #040, #064 and# 079 with DIRAN's (Dirección de Antinarcóticos de la Policía Nacional) cooperation.
- Loaded information on the MERA Project Information module, Indicators module and Environmental module. The Subcontracts and Grants module information is still to be loaded. The MERA design contract is being closed out.
- Signed consultancy contracts with two Agricultural Engineers, Miguel Antonio Quimbayo and Alfredo Alexander Torres, and a new Time and Materials supplier was awarded to supply professionals for field visits, and make this issue stop being a bottleneck to project monitoring.
- Initiated the competition process for a new Time and Materials contract that will replace the one performed by the Grupo Gestor Corporation. A Request for Proposals was opened.
- Uploaded information for projects into Microsoft Project, with the objective of having an instrument that will allow every CAPP area to monitor the progress of projects in implementation.
- Updated the GPS point's database with information of the new farms visited during the Quarter.
- Provided USAID with indicator information on the last quarter via the software used for this reporting.

### Environment

- Fifteen field verification visits took place to supervise the implementation of Environmental Reviews.
- A PERSUP evaluation for the first year was completed by CAPP. A results report will be sent to USAID's Environmental Officer in August '05.

### 3.6.4 Compliance

#### • Grants Signed

Four Projects were signed with a total value of \$3.8 million:

			Effective Date	USD
Standard Grant	001-02	FEDECACAO	10-May-05	524,542
Standard Grant	052	Propalma, S.A.	1-Apr-05	855,702
Standard Grant	065	Industrias del Maíz, S.A.	7-Jun-05	758,844
Standard Grant	119	C.I. Tequendama	2-May-05	1,642,469
				<b>3,781,557</b>

#### • Grants Approved by USAID with Contingency

As of the end of this quarter, the following projects have been approved in previous quarters by USAID with the contingency that "CTO approval is contingent upon approval of the bank loan for the project." However, since as of the end of this quarter they still do not have bank loan approvals, and therefore can not be signed, ARD/CAPP may either re-structure the Projects to account for the time delays or decide to drop them from the portfolio.

			Date Approved	USD
Standard Grant	045	Palmares El Portico	17-Sept-04	1,190,590
Standard Grant	046	Cacao del Cesar S.A.	23-Feb-05	1,266,836
				<b>2,457,426</b>

#### • Grants Pending USAID Approval

As of the end of the Quarter, one grant was pending USAID Approval.

			Date Sent to USAID	USD
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Simplified Grant	130	ASOGPADOS	27-Jun-05	51,917
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### • Grant Modifications

Four Grants were modified as follows:

- Standard Grant #025 to Compañía de Empaques, S.A. was modified to replace progress reporting formats and a Cost Extension through 31 May '06 was signed.
- Standard Grant #050 to COPROAGROSUR was modified to replace the Award Budget & Timeline details due to numerous staffing changes.
- Standard Grant #082 to ASBAMA, was modified to replace the Award Budget & Timeline details due to numerous staffing changes, to change it from Payment Advance Method to Working Capital Payment Method and to replace Attachment 2, Part 2 as it was missing the Index page.
- Standard Grant #117 to CASE, was modified to replace the Award Budget & Timeline details due to numerous staffing changes.

### • Grants Closed

Two Grants closed during the quarter:

			Close Date
FOG	027-02	Empaques del Cauca, S.A.	31-May-05
FOG	029-01	Hugo Restrepo & Cia.	30-Jun-05

### • Training at Grantee Site

Formal training was provided at each of the four new grantees' field locations at the date of signing grant agreements. The training included a thorough review of the grant terms and conditions, sharing of "lessons learned" from ARD's grant programs, as well as from other CAPP grantees. The grant training includes presentations from the Finance, Agribusiness and Compliance staff and a review of the reporting and supporting documentation requirements. This training takes anywhere from 8 to 12 hours per Grantee.

## 3.7. Progress vs. Work Plan

Figure 12 illustrates CAPP's accomplishments versus the Year Three Work Plan Supplement. That Plan anticipated 38 proposals to be in passed into Implementation by the end of the Third Quarter. Thirty three Projects had been passed into Implementation as of the end of the Third Quarter. This difference is due to a reduced number of total projects, and delays in gaining final approval of the Supplemental Funding.

The Year Three Work Plan anticipated 33 grants would be signed by the end of the Third Quarter. However, only 23 were signed. This shortfall can be primarily attributed to projects that are awaiting loan approval, and delays caused by slower than anticipated approval of the Supplemental Funding.

## 3.8. Program Expansion

In April 2005 USAID provided \$3.5 million in Supplemental Funding for Grants and Subcontracts, for a total Program funding of \$41.5, million and added two proposals, from the CAD (Chemonics) program, not in CAPP's current portfolio. This additional \$3.5 million will enabled CAPP to develop and implement not only the two CAD projects (#130 – ASOGPADOS and #131 – ASOCATI, both Convocatoria projects), but also to move two proposals from Inactive to Active, and expand three successful older Projects. The additional \$3.5 million and these additional proposals are included in forecasts presented in the remainder of this Report.



## FIGURE 12 STATUS VS OVERALL WORK PLAN

Gant Chart – Year 3

Activity	Month												
		1	2	3	4	5	6	7	8	9	10	11	12
	Dec-04	Jan-05	Feb-05	Mar-05	Apr-05	May-05	Jun-05	Jul-05	Aug-05	Sep-05	Oct-05	Nov-05	Dec-05
Proposals Received							133						
	128	128	130	132	134	135	135	135	135	135	135	135	135
Proposals Screened							122						
	122	122	122	122	122	122	122	122	122	122	122	122	122
Proposals Assessed							51						
	51	51	51	51	51	51	51	51	51	51	51	51	51
Proposals in Development													
Total at End of Month	3	2	3	4	4	3	0	0	0	0	0	0	0
Results							3						
Proposals Passed into Implementation by R.C.													
Cumulative	27	27	29	31	33	35	38	38	38	38	38	38	38
Results							33						
Financial Agreements Approved by USAID and waiting for loan approvals to be signed													
End of Month Total Agreements Waiting for Approval	3	4	3	2	1	0	0	0	0	0	0	0	0
Results							0						
Implementation Agreements Signed													
Cumulative	16	19	21	24	27	30	33	35	37	38	38	38	38
Results							23						
Implementation Grants and Contracts Closed													
Cumulative	2	0	0	0	0	0	5	5	5	6	6	6	6
Results							4						
Projects Being Implemented (Signed-Closed)													
Cumulative	16	17	19	22	25	28	28	30	32	32	32	32	32
Results							19						
Projects in System (Proposals in Development + Passed the RC-Closed)													
Cumulative	30	27	32	35	37	38	36	33	33	32	32	32	32
Results							32						

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### **3.9. Key Contratiempos and Constraints**

#### **3.9.1 Contratiempos Resolved**

This section outlines some of the more significant contratiempos CAPP resolved during the Quarter.

##### **3.9.1.1 Forward Contracts for CACAO Projects**

CI CAACAO S.A. has signed long term purchase contracts with cacao projects and this has facilitated the successful approval of some loan requests.

##### **3.9.1.2 Delayed Transfer of Convocatoria Projects**

Handover of projects #130 and #131 from Chemonics to CAPP has taken place.

##### **3.9.1.3 Changing Project Circumstances**

CAPP is working to redefine goals and budgets of delayed projects, especially: #045, #046, #123 and #124. In July we will decide if #045 will be shifted to Inactive and #046 will begin a thorough restructuring, reducing hectare and family impact almost by half.

##### **3.9.1.4 Fundalianza Projects**

After removing Fundalianza from projects **#031, #032, #056 and #079**, Project integrators took control of all technical assistance and training activities. By end-June these projects were up to date in terms of invoicing and reports. The financial audit results were received and it is expected that by July all pending issues with Fundalianza will be resolved. All departments in CAPP worked to ensure that Fundalianza resolved all reporting and reimbursement issues.

Projects #031, #032, #056 and #079 were given No Cost Extensions to enable them to meet their hectare and family goals. CAPP expects that these grantees will meet their proposed goals. CAPP is waiting to close out all pending matters with Fundalianza before addressing NCEs. Project #032 will complete its goals by July and has requested an extension in order to introduce new hectares and new families. This request will be reviewed further on, based on funds availability.

##### **3.9.1.5 Environmental Issues**

Two projects have encountered environmental issues; one used banned agrochemicals and the second cut down trees to open planting space. The first problem was solved by reminding the proponent to use only approved agrochemicals. A formal letter was sent to the other proponent making them aware of the implications of deforestation and more intensive field verification will take place during July '05, including expanding the sample size of their beneficiary visits.

#### **3.9.2 Contratiempos to be Resolved**

This section outlines contratiempos that are in the process of being resolved. CAPP is working diligently and cooperating with USAID to minimize the potential negative impact of the constraints.

##### **3.9.2.1 Environmental Compliance Verification**

CAPP's contract with Grupo Gestor Corporation ended and therefore a new Time and Materials supplier needs to be contracted to do environment and M&E field verification work.

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### **3.9.2.2 Security at Project Sites**

A more or less permanent “contratiempo” that affects our ability to safely perform of field visits is the security problems in some of the areas. CAPP needs a clear security policy for field activities performed by CAPP’s employees and consultants. A recent in-house conference in the subject was an introduction and an alarm that demonstrates the urgency of developing an official CAPP Security policy.

### **3.9.2.3 Delays in Loan Disbursements**

Some Convocatoria Projects are experiencing delays due the difficulty in loan approval and land property deeds. The projects with the most significant setbacks in these issues are #045 - Palmares el Pórtico, #046 - Cacaos del Cesar, #123 - Fundescat, #124 – Aldea and #127 - Procaucho.

During the past months Finagro and Banco Agrario have decided to include additional counter guarantees and requirements prior to loan approval and first loan disbursements for Convocatoria projects. CAPP is assisting the project operators to complete these additional requirements of the Banks, and has requested both FINAGRO and Banco Agrario to be more flexible on some of these requirements; suggesting that more time be given to complete documentation as well as other requirements. One of the proposals is for the banks and FINAGRO to allow requirement completion before the second disbursement will be made. This would give the operators more time to complete all documentation. The banks are studying these proposals and they may accept some of them by negotiating directly with the project proponents.

### **3.9.2.4 Required Project Auditing**

Any Project that spends more than \$500,000/year must have a formal audit, so CAPP needs to develop an IQC-type RFP for USAID approved auditing services, and award two or more of these contracts. Less formal audits may be required for projects where financial controls are questionable. The cost of doing these audits must be included in CAPP’s Subcontracts budget and will therefore reduce available direct Project support funding. CAPP anticipated issuing an RFP during the current Quarter, however, we have focused our attention on the RFP for the ongoing environmental and monitoring and evaluation activities. Therefore, the formal audit RFP will be developed in the Fourth Quarter.

### **3.9.2.5 Peso Exchange Rate**

During the last quarter CAPP modified all *long-term* grants to include language that states the maximum obligation is in USD. Project grants are denominated and reimbursed in Pesos. CAPP’s current budget is in dollars and the projected exchange rate currently being used for budgeting is 2,809, but the actual current rate is ~2,350. Including the “USD obligation” language is one way to ensure that CAPP will not over obligate its USD Subcontracts and Subgrants budget. However, during the Fourth Quarter CAPP will revise grant budgets to reflect an updated Peso to dollar exchange rate. This revision will increase USD obligations, and therefore careful planning will be necessary to avoid over committing our Grants and Sub-contracts funds.

### **3.9.2.1 Staff Turnover**

A revised contract Modification request will be submitted to USAID for approval of an increased Local Labor and Fringe Budget to accommodate the restructuring and the cost of a peso adjustment to local salaries to compensate for the decline in real salaries brought about by the depreciation of the dollar. Approval of this request is very important to CAPP’s future as it strives to devote the necessary human resources to monitor the implementation of projects in the field.

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### **3.10. Third Quarter Accomplishments Summary**

Five proposals were approved into Implementation, four Projects agreements were signed and four Grant Modifications were completed. The CAPP contribution, total project cost, new hectares planted, families benefited and workdays created are:

	CAPP Contribution (millions)	Total Project Cost (millions)	New Hectares	Families Benefited	Workdays Created
Passed Into Implementation	\$2.6	\$26.9	4,600	2,540	385,100
Signed	\$3.8	\$68.5	17,300	2,756	1,250,400
Modified	\$3.1				

### **4. Contract Modifications, Amendments and Reporting**

One contract modification was completed in the Quarter to add \$3.5 million to the Program and transfer two additional (#130 and #131) proposals to CAPP. Following is a summary of all Modifications to date.

- On 21 February 2003, Contract Modification #1 was signed to correct the name of the Program and make other minor adjustments.
- On 28 April 2003, Contract Modification #2 was signed to change several key contract provisions and make them consistent with the approved Work Plan.
- On 29 May 2003, Contract Modification #3 was signed to make changes in the Scope of Work and labor hours to reflect changes approved in Modification #2 as well as other minor changes.
- On June 13, 2003 Contract Modification #4 was signed to increase obligated funds to \$16.5 million.
- On October 29, 2003 Contract Modification #5 was approved that required certain tax reporting information from ARD.
- On December 5, 2003 Contract Modification #6 was approved that modified the budget to incorporate a number of line item adjustments.
- On March 15, 2004 Contract Modification #7 increased CAPP's term to December '07 and increased funding by \$18 million.
- On March 1, 2005 Contract Modification #8 authorized changing the Agribusiness Advisor from Ed Brooks to Peter Gault.
- On May 5, 2005 Contract Modification #9 was approved and increased Grants and Subcontracts funding by \$3.5 million.

### **5. Key Activities Planned for Next Quarter**

#### **5.1. Proposal Development Expectations**

The following projections are based on the Supplemental Funding approved early in the Third Quarter during via Mod #9.

##### **5.1.1 Screening**

All proposals have been screened and APS/RBP is closed.

##### **5.1.2 Assessment**

All proposals in the current portfolio have been assessed.

### 5.1.3 Development

By the end of the Fourth Quarter we expect to complete development work on all three proposals that were in development at the beginning of the Quarter, and the RC will pass all of them into Implementation. Therefore, no proposals will still be in Development by 30 September 2005.

### 5.1.4 Implementation

During the Fourth Quarter, we anticipate the RC will pass three proposals into Implementation (#029-02 – Hugo Restrepo & Cía, #41-19 – Patrimonios Autonomos and #131 - Asocati). The product, cost, CAPP contribution and impact on hectares and families of these Projects, plus the 33 already passed into Implementation, for a total of 36 Projects, are outlined in Figure 13. Assuming all of these proposals become approved Projects and the size and CAPP contribution remains the same, CAPP will be committing \$26.4 million, or 11.4% of the total cost of \$230.7 million, to implement Projects located in areas currently influenced by illicit drug production. If these projections become reality, more than 62,243 new hectares will be planted, more than 14,776 families will be directly benefited and 6.8 million workdays of new jobs will be created.

## 5.2. Other Next Quarter Activities

The following outlines the main CAPP Fourth Quarter Activities.

### 5.2.1 Grants to Be Signed

			USD	Contingency?
Standard Grant	029-02	HUGO RESTREPO Y C.I.A.	225,365	None
Standard Grant	124	ALDEA	1,323,000	None
Standard Grant	127	PROCAUCHO	1,315,362	None
Simplified Grant	130	Asogpados	51,917	None
Standard Grant	131	ASOCATI	835,680	None
			3,751,324	

### 5.2.2 No-Cost Extensions (NCE) To Be Reviewed and Signed

We expect to grant second NCEs to the following Standard Grant recipients in order to permit achievement of hectares and families which have been delayed due to a combination of many factors, including: delays in association organization, delays in loan approval, weather changes and security problems. It is possible the withdrawal of Fundalianza caused some confusion and delays with some associations and their integrators

Project #	Grantee:	New NCE Date
031	C.I. Tequendama S.A.	31-Dec-05
056	Grasas y Derivados S.A.	31-Dec-05
079	Eco-Bio Colombia Ltda.	31-Dec-05

### 5.2.3 Grants ready to be Signed - pending approval of bank loans

Standard Grant	046	Cacao del Cesar S.A.	\$750,000
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**FIGURE 13**  
**PROPOSAL EXPECTED TO BE IN IMPLEMENTATION AT THE**  
**END OF THE FOUR QUARTER FY '05**

**PROPOSAL STATUS REPORT PROJECTIONS FOR SEPTEMBER 30, 2005**

PROPOSAL NUMBER	DESCRIPTION	PRODUCT	TOTAL COST (USD \$000)	CAPP AMOUNT (USD \$000)	CAPP %	HA. DIRECTLY IMPACTED	FAMILIES DIRECTLY IMPACTED	EMPLOYMENT GENERATED (workdays)
<b>IMPLEMENTATION</b>								
1	FEDECACAO in Santander	CACAO	\$6,269	\$580	9.3%	700	175	234,478
12	AGROFRUT S.A. in Antioquia, Caldas, Cesar, Huila and Risaralda	FRUIT PULP	\$6,500	\$525	8.1%	673	1,005	262,013
23	COMPANIA ENVASADORA DEL ATLANTICO in Bolivar, Cesar, Córdoba, La Guajira, Magdalena and Sucre	PASSION FRUIT	\$8,033	\$760	9.5%	1,483	813	459,200
25	CIA DE EMPAQUES in Antioquia, Caldas and Nariño,	FIQUE	\$1,228	\$236	19.2%	800	1,334	80,000
27	EMPAQUES DEL CAUCA in Cauca	FIQUE	\$1,024	\$137	13.4%	600	1,000	77,970
29	HUGO RESTREPO Y CIA in Caldas, Cauca, Quindío, Tolima and Valle del Cauca	PEPPERS	\$1,102	\$149	13.5%	198	108	511,424
31	C.I. TEQUENDAMA S.A. in Magdalena	PALM	\$2,072	\$297	14.3%	1,130	111	40,680
32	EL ROBLE S.A. in Magdalena	PALM	\$2,856	\$223	7.8%	1,560	91	58,500
35	COMPANIA PALMERA DEL SUR DE BOLIVAR in Bolivar	PALM	\$6,794	\$911	13.4%	2,000	200	137,050
40	NANYANVA in Huila	CACAO	\$6,866	\$1,124	16.4%	600	180	137,280
41	PATRIMONIOS AUTONOMOS in Cesar and La Guajira	COTTON	\$4,688	\$222	4.7%	4,986	274	322,296
45	PALMARES DEL PORTICO LTDA (P. Col) in Santander	PALM	\$3,600	\$800	22.2%	1,500	150	83,865
46	CACAO DEL CESAR in Cesar	CACAO	\$2,548	\$750	29.4%	500	160	240,000
48	FUND. ALTO MAGDALENA (P. Col) in Huila	CACAO	\$3,550	\$752	21.2%	510	85	174,787
50	COPROAGROSUR in Bolivar	PALM	\$922	\$158	17.1%	400	100	25,388
52	PROPALMA in Casanare, Cesar, Magdalena, Nariño and Santander	PALM	\$34,200	\$856	2.5%	10,000	1,250	480,000
56	GRADESA S.A. in Atlántico, Cesar, Chocó, La Guajira and Magdalena	PALM	\$2,076	\$257	12.4%	1,132	137	64,786
64	CORDEAGROPAZ in Nariño	PALM	\$11,417	\$1,058	9.3%	3,054	436	259,187
65	INDUSTRIAS DEL MAIZ in Atlántico	YUCCA	\$13,989	\$758	5.4%	1,600	733	97,013
79	ECOBIO COLOMBIA LTDA in Cesar, La Guajira and Magdalena	CACAO	\$7,642	\$780	10.2%	2,000	524	184,500
82	ASBAMA in Magdalena	BANANA	\$3,234	\$362	11.2%	400	276	52,818
95	FRUTIMACIZO S.A. in Cauca and Huila	TOMATE DE ARBOL	\$1,558	\$98	6.3%	250	250	55,925
117	COMPANIA AGRICOLA DE SERVICIOS ESPECIALES S.A. in Antioquia	CACAO	\$11,687	\$1,563	13.4%	1,500	600	432,000
119	C.I. TEQUENDAMA S.A. in Bolivar	PALM	\$13,963	\$1,785	12.8%	5,000	598	438,937
123	FUNDESCAT (P. Col) in Norte de Santander	CACAO	\$6,726	\$1,407	20.9%	1,200	240	279,940
124	U.T. ALDEA (P. Col) in Norte de Santander	CACAO	\$6,861	\$1,323	19.3%	1,224	245	519,490
125	PROMOTORA HACIENDA LAS FLORES S.A. / ASOGPADOS (P. Col) in Norte de Santander	PALM	\$15,992	\$2,847	17.8%	4,000	400	412,800
125P	PROMOTORA HACIENDA LAS FLORES S.A. (P. Col) in Norte de Santander	PALM	\$5,117	\$703	13.7%	-	32	220,320
126	PROMOTORA HACIENDA LAS FLORES S.A/ ESTAM (P. Col) in Norte de Santander	PALM	\$6,004	\$1,321	22.0%	1,500	150	140,100
127	PROCAUCHO (P. Col) in Santander	CACAO	\$6,136	\$1,238	20.2%	1,200	240	203,840
130	ASOGPADOS (P. Col) in Norte de Santander	PALM	\$3,712	\$53	1.4%	1,000	134	N/A
131	ASOCATI in Norte de Santander	CACAO	\$3,643	\$836	23%	593	262	0
# 25 EXT.	CIA DE EMPAQUES in Antioquia, Caldas and Nariño,	FIQUE	\$1,728	\$277	16.0%	500	833	58,372
# 27 -03	EMPAQUES DEL CAUCA in Cauca	FIQUE	\$1,444	\$267	18.5%	300	600	26,727
# 29 -02	HUGO RESTREPO Y CIA in Caldas, Cauca, Quindío, Tolima and Valle del Cauca	PEPPERS	\$1,325	\$150	11.3%	150	450	0
# 41-19	PATRIMONIOS AUTONOMOS in Cesar and La Guajira	COTTON	\$14,180	\$800	5.6%	8,000	600	0
	<b>TOTAL:</b>	<b>36</b>	<b>230,685</b>	<b>26,362</b>	<b>11.4%</b>	<b>62,243</b>	<b>14,776</b>	<b>6,771,688</b>

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#### **5.2.4 Other**

- Increase Rate of Disbursements to projects: The newly restructured Agribusiness team is focusing a large portion of its time to improving the quality of financial and operational input from Grantees in order to speed up the process of invoices and disbursements. This should result in a dramatic increase in the disbursements in the 4<sup>th</sup> Quarter. Financial and expenditure control mechanisms already in place are able to support the planned disbursement acceleration.
- Work closely with proponents to complete Bank requirements for Convocatoria cacao projects' loan disbursements ASAP.
- Update dollar budgets for all active projects based on a more appropriate exchange rate.
- Implement the initial phase of the WCF Farmer Training Schools and finalize a plan for their long term existence.
- Sign a new Time and Materials contract to support the M&E and environmental field verification visits.

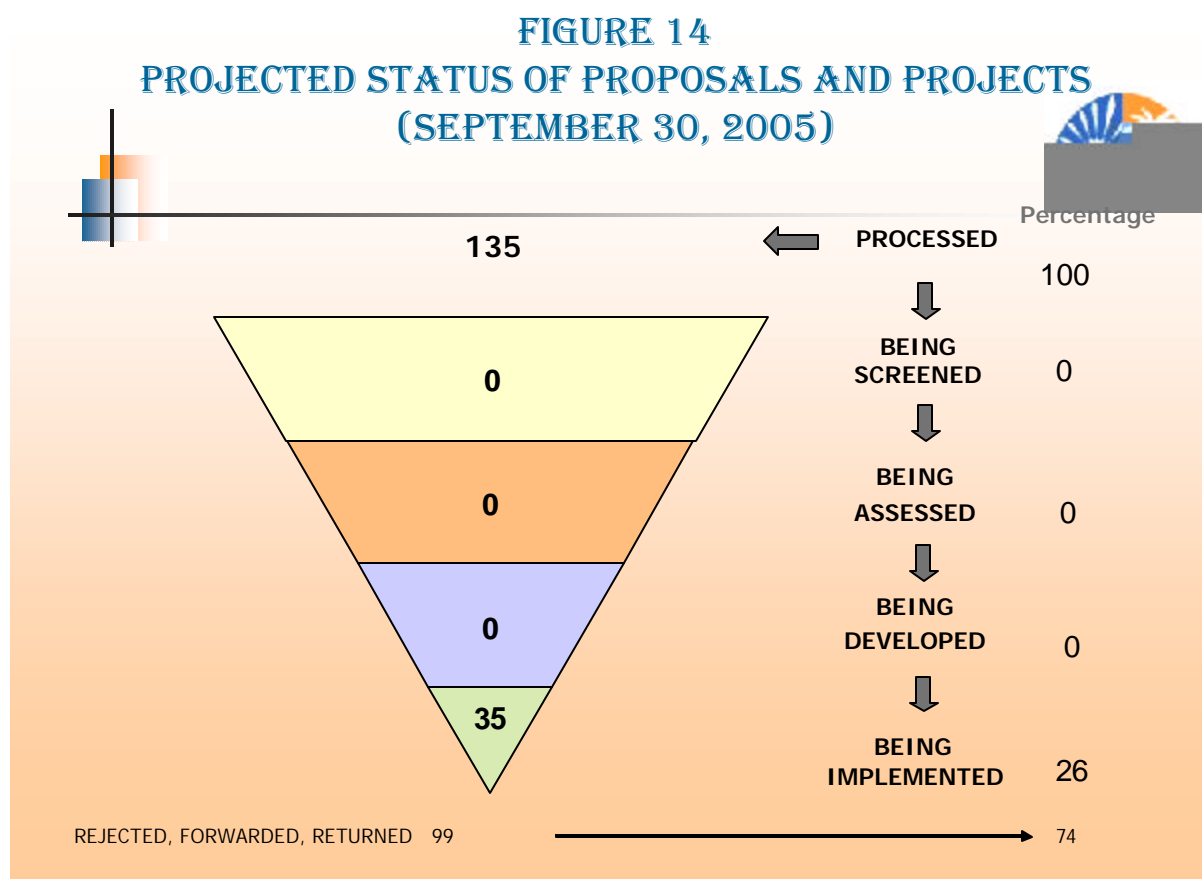
Appendix 1 shows a detailed delineation of proposals and Projects for the last, this and the next Quarter.

#### **5.3. Status of Proposal Development at the End of the Next Quarter**

A summary of the anticipated status of proposals and Projects at the end of the Fourth Quarter is shown in Figure 14. This figure projects both the number of proposals by stage and the percentage of all proposals received as of 30 September 2005. This figure also shows that all active proposals will be passed into Implementation (35) by the end of the Quarter. If this becomes reality CAPP will have passed 26% of all proposals received into Implementation and 100% of active proposals will be in Implementation.

The difference between projects received in figure 9 and projects processed in figure 14 is due the division of project 125 into, two different projects. The first includes the agricultural component, which kept the number 125. The other numbered as 125P, includes the development of the processing plant. These two projects are treated as independent projects.



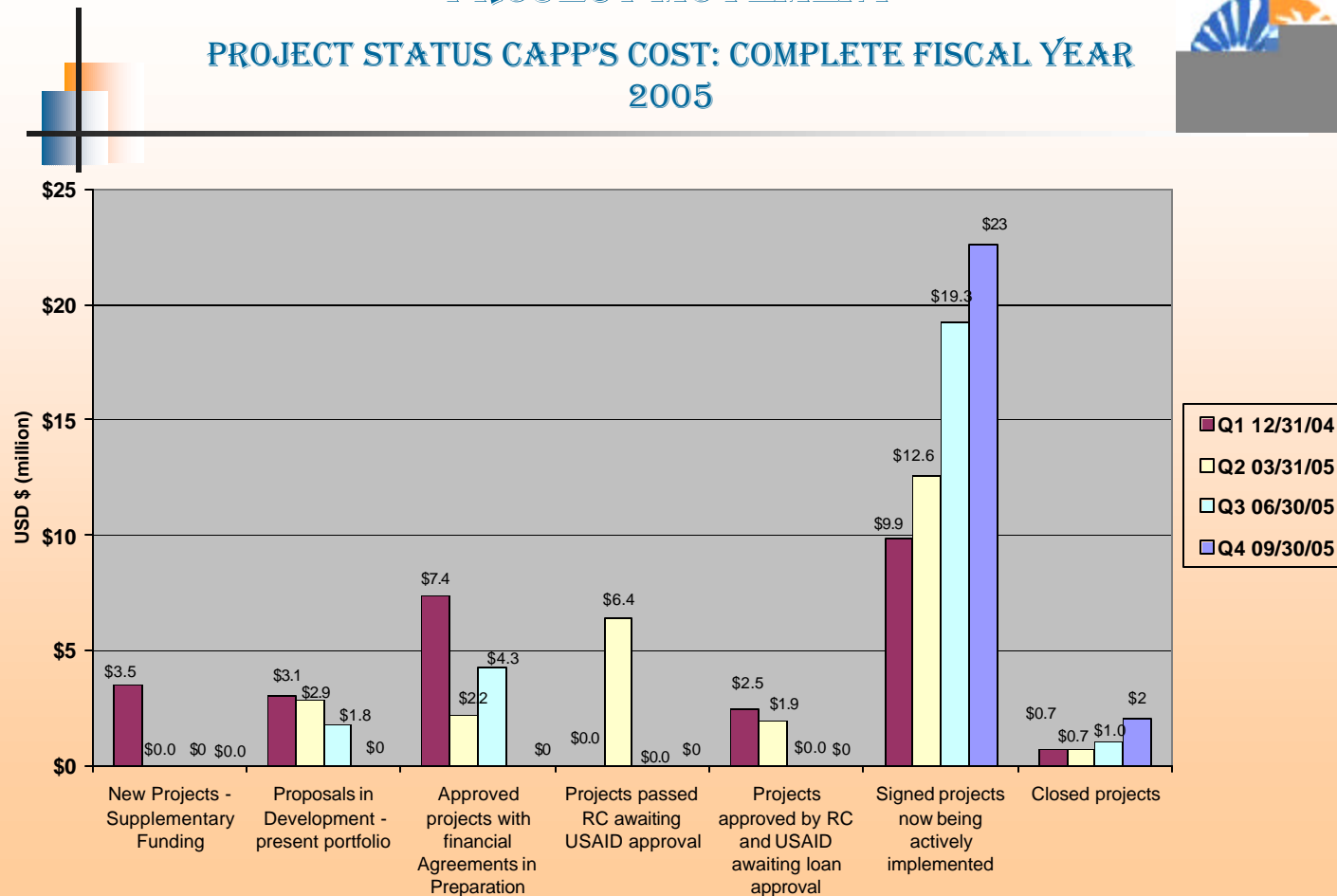


The Figures 15-A illustrates the total value of CAPP's contribution to projects in various categories for the First, Second, Third and Fourth (next) Quarters and shows the anticipated \$3.7 million increase in the value of signed projects during the Fourth Quarter.

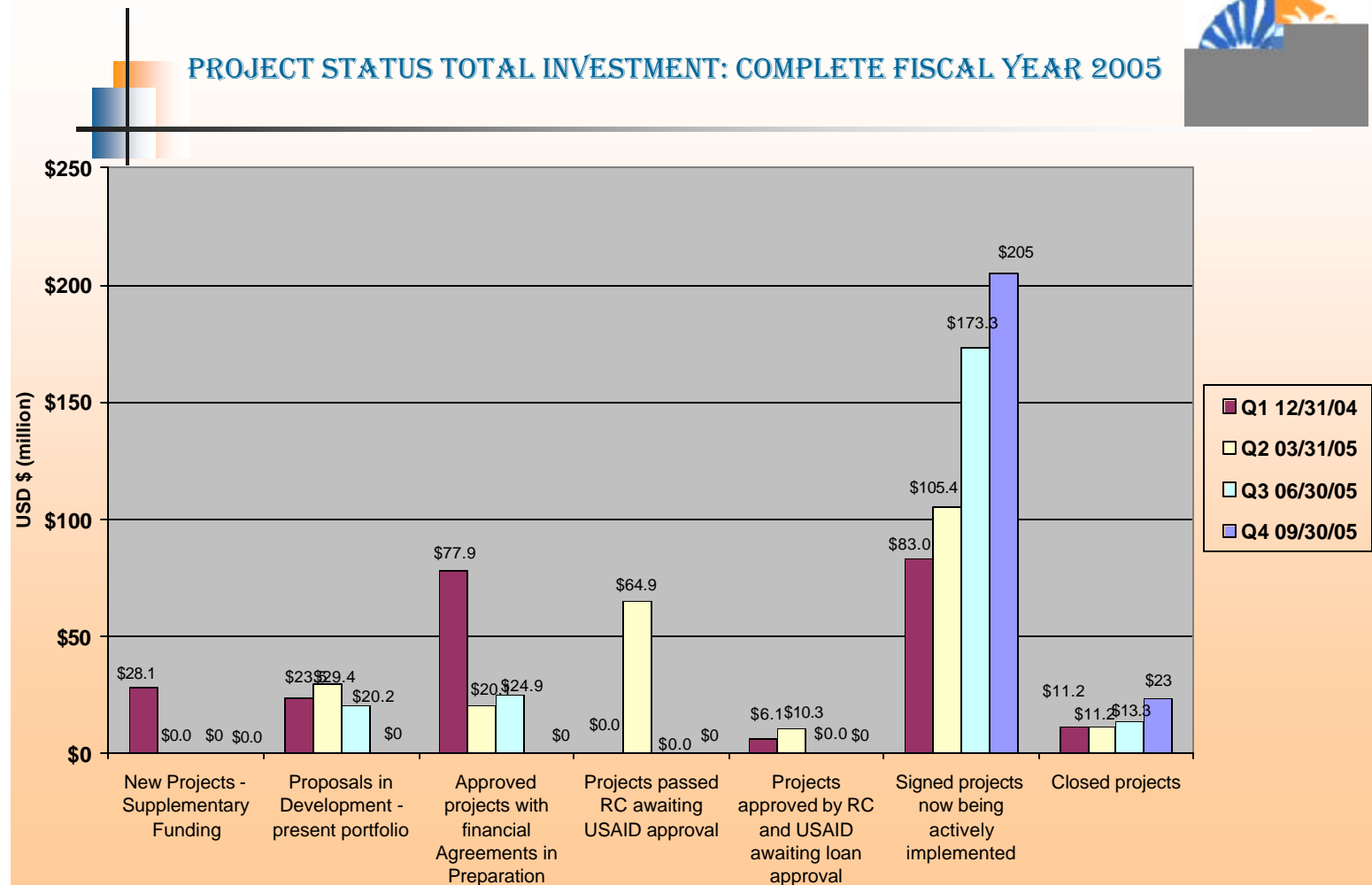
The Figures 15-B illustrates the total investment to projects in various categories for the First, Second, Third and Fourth (next) Quarters and shows the anticipated \$31.7 million increase in the total investment of signed projects during the Fourth Quarter.

The Figure 16 shows a projection of the status of CAPP activities for all of calendar 2005, i.e., CAPP Year Three. As can be noted by the Figure 16, the value of signed projects will decrease by \$1 million in the fourth calendar quarter and the value of closed projects will increase by \$1 million. However, it is anticipated that CAPP will still be performing REVA on Projects that CAPP will be contributing more than \$22 million to by the end of Calendar 2005/CAPP Year Three.

**FIGURE 15-A**  
**PROJECT MOVEMENT**



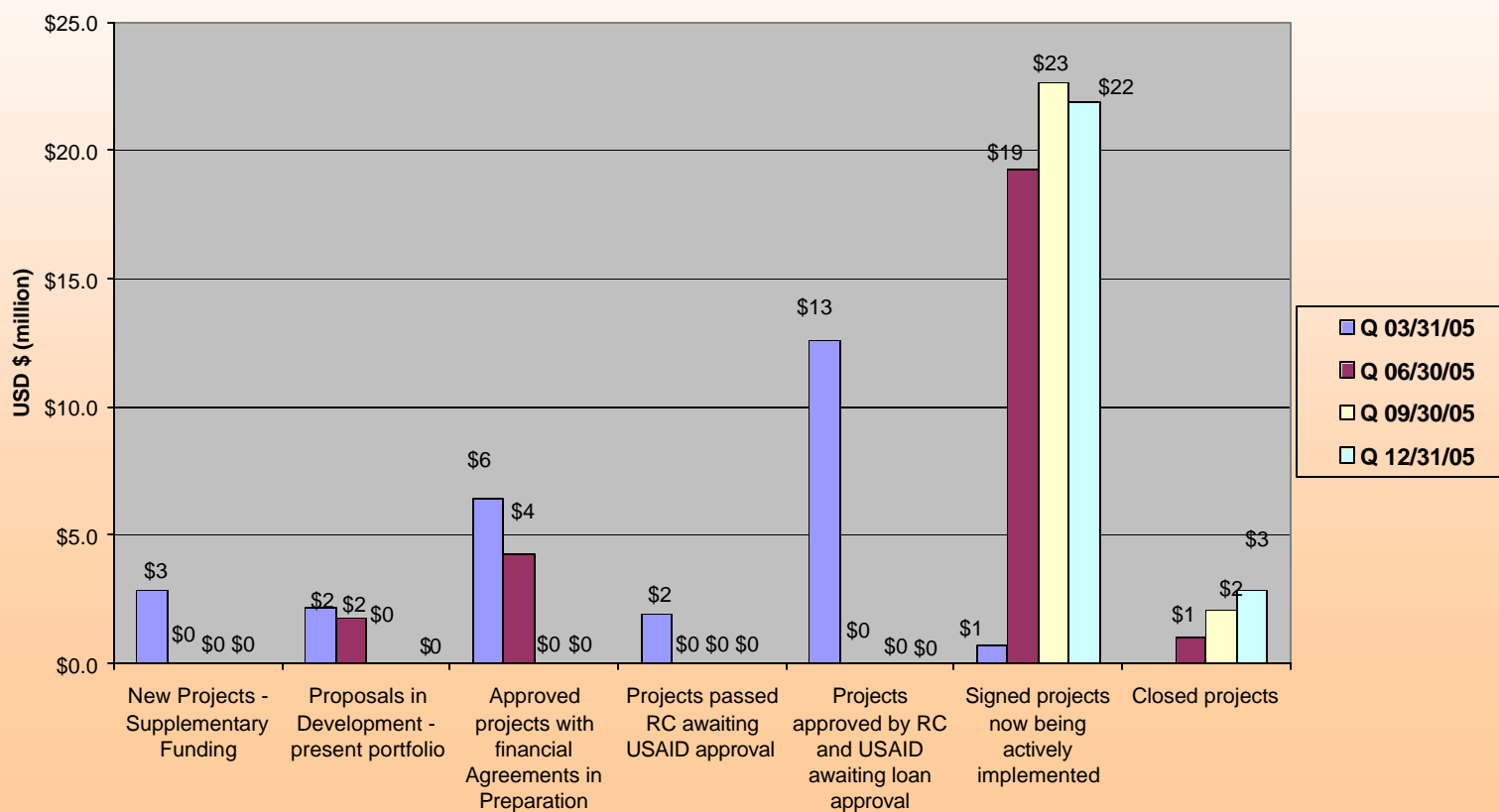
## FIGURE 15-B PROJECT MOVEMENT



## FIGURE 16

### PROJECT MOVEMENT

PROJECT STATUS CAPP'S COST: COMPLETE CALENDAR  
YEAR 2005



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## **7. Progress Toward SO2 Goals**

### **7.1. Realized Impact on Key Indicators**

Annual crops such as cotton provide an almost immediate impact after Implementation begins in terms of New Hectares planted and Workdays Created. Families Benefiting and Value of Sales generated take somewhat longer. Projects involving tree crops such cacao, African palm, and fruits require a longer time period for planting, maturity and harvest to take place, and therefore for benefits to be derived such as Value of Sales and increased family income. Since thirty two Projects have actually begun implementation as of 30 June, a significant number of projected new hectares (53,500), families (13,464) and workdays (6.8 million) can be reported.

We do not start to receive actual data, especially regarding Workdays and Sales Generated, until M&E reporting begins after all support instruments are signed for a given Project. The data shown below are from the reported results of the sixteen Projects that have started reporting information. The next section (7.2) reports Anticipated Impacts from Projects anticipated to be in Implementation by the end of the Third Quarter.

- IR 1.1 – Number of NGO/association implementing AD Activities that are strengthened – 163
- IR 3.3 – Number of families benefiting from licit productive activities in coca areas – 3,181
- IR 3.4 – Number of families benefiting from licit productive activities in poppy areas – 3,298
- IR 3.5 – Number of new hectares of licit crops supported in coca areas – 13,230
- IR 3.6 – Number of new hectares of licit crops supported in poppy areas – 1,728
- IR 3.71 – Female workdays created by supported Projects – 222,573
- IR 3.72 – Male workdays created by supported Projects – 1,313,352
- IR 3.8 – Value of sales of supported Projects during the term of CAPP's support– \$6,794,666

### **7.2. Anticipated Impacts on Key Indicators**

#### **7.2.1 Projects Currently in Implementation**

For the 33 Projects passed into Implementation by the end of the Third Quarter, the following Impacts are anticipated.

- IR 3.3 – Number of families benefiting from licit productive activities in coca areas – 10,341
- IR 3.4 – Number of families benefiting from licit productive activities in poppy areas – 3,123
- IR 3.5 – Number of new hectares of licit crops supported in coca areas – 51,114
- IR 3.6 – Number of new hectares of licit crops supported in poppy areas – 2,386
- IR 3.71 – Female workdays created by supported Projects – 1,347,651
- IR 3.72 – Male workdays created by supported Projects – 5,424,035
- IR 3.8 – Value of sales of supported Projects – \$35,691,000

#### **7.2.2 Projects Anticipated to be in Implementation by the end of the Next Quarter**

Assuming the above forecast of Projects that will be in Implementation by the end of the Third Quarter becomes reality, the eventual positive impact of those 35 Projects on Hectares and Families is shown below.

- IR 3.3 – Number of families benefiting from licit productive activities in coca areas – 11,653
- IR 3.4 – Number of families benefiting from licit productive activities in poppy areas – 3,123
- IR 3.5 – Number of new hectares of licit crops supported in coca areas – 59,857
- IR 3.6 – Number of new hectares of licit crops supported in poppy areas – 2,386
- IR 3.71 – Female workdays created by supported Projects – TBD
- IR 3.72 – Male workdays created by supported Projects – TBD

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- IR 3.8 – Value of sales of supported Projects – TBD

If these rough projections come to fruition, we forecast achieving 369% of our families' benefited objective, and 311% of our new hectares planted original objectives, with Projects passed into Implementation during the first 32 months of CAPP.

## Appendix 1

### CAPP Proposal Movement - Qtrs. 2, 3, 2005 - As of 06-30-05, 2005 (08/02/05 - 2:30pm)

Qtr. 2: Ending 03/31/2005 - Project #s					
Order	Imp.	Develop.	Assmnt.	To Inactive	
1	12	65		47	
2	23	89		7	
3	25	127 (Convocatoria)		24	
4	27 - 02			51	
5	29			59	
6	31			80	
7	32				
8	41				
9	50				
10	56				
11	64				
12	79				
13	35				
14	45	(Convocatoria Project)			
15	46	(Convocatoria Project)			
16	82				
17	95				
18	123	(Convocatoria Project)			
19	125	(Convocatoria Project)			
20	125P	(Convocatoria Project)			
21	126	(Convocatoria Project)			
22	40				
23	48	(Convocatoria Project)			
24	52	(Securitization Project)			
25	117				
26	119				
27	124	(Convocatoria Project)			
28	1				
Totals:	28	3	0	6	
Total Active Projects:	31	Total Projects in Portfolio:		37	

Qtr. 3: Ending 6/30/2005 - Project #s						
Order	Imp.	Closed	Signed	Develop.	Assmnt.	To Inactive
1	12	X		29 - 02		47
2	23		X	<b>41 - 19</b> (Cotton)		7
3	25		X	131		24
4	27 - 02	X				51
5	29 - 01	X				59
6	31		X			80
7	32		X			89
8	41	X				
9	50		X			
10	56		X			
11	64		X			
12	79		X			
13	35		X			
14	45	XX		(Convocatoria Project)		
15	46	XX		(Convocatoria Project)		
16	82	X				
17	95	X				
18	123	XX		(Convocatoria Project)		
19	125	X		(Convocatoria Project)		
20	125P	X		(Convocatoria Project)		
21	126	X		(Convocatoria Project)		
22	40		X			
23	48		X	(Convocatoria Project)		
24	52		X	(Securitization Project)		
25	117		X			
26	119		X			
27	124	XX		(Convocatoria Project)		
28	1	X				
29	65		X			
30	127		XX	(Convocatoria Project)		
31	130		XX	(Convocatoria Project)		
32	25 - Ext		XXX			
33	27-03		XX			
Totals:	33	4	29	3	0	7
Total Active Projects:	32	Total Projects in Portfolio:		43		

Projected Qtr. 4: Ending 9/30/2005 - Project #s							
Order	Imp.	Closed	Signed	Develop.	Assmnt.	To Inactive	
1	12	X				47	
2	23		X			7	
3	25		X			24	
4	27-02	X				51	
5	29-01	X				59	
6	31		X			80	
7	32		X			89	
8	41	X				45	
9	50		X				
10	56		X				
11	64		X				
12	79		X				
13	35		X				
14	46		X		(Convocatoria Project)		
15	82		X				
16	95		X				
17	123		X		(Convocatoria Project)		
18	125		X		(Convocatoria Project)		
19	125P		X		(Convocatoria Project)		
20	126		X		(Convocatoria Project)		
21	40		X				
22	48		X		(Convocatoria Project)		
23	52		X		(Securitization Project)		
24	117		X				
25	119		X				
26	124		X		(Convocatoria Project)		
27	1		X				
28	65		X				
29	127		X		(Convocatoria Project)		
30	130		X		(Convocatoria Project)		
31	27-03		X				
32	25 - Ext		XXX				
33	29 - 02		X				
34	<b>41 - 19</b>		X				
35	131		X		(Convocatoria Project)		
Totals:	35	4	31	0	0	8	
Total Active Projects:	31	Total Projects in Portfolio:		43			

#### Notes:

- 1) Double lines w/in the "Order", "Imp." and "Inactive" columns indicate the last projects in those columns of the previous quarters shown on-page.
- 2) "XX" denote projects to be signed during the Quarter ending 9/30/05.
- 3) "XXX" Cost Expansion of existing Standard Grant
- 4) **Bold** projects denote "issue" projects.

## Appendix 2

### PROPOSAL STATUS REPORT AS OF JUNE 30, 2005

ORDER	COMPANY	PRODUCT	TOTAL COST (USD \$000)	CAPP AMOUNT (USD \$000)	CAPP %	HA. DIRECTLY IMPACTED	FAMILIES DIRECTLY IMPACTED	LAST PHASE
<b>INACTIVE PROJECTS</b>								
7	5,000 ha of cacao via 'securitization'	CACAO	\$ 16,019	\$ 1,000	6.2%	5,000	3,000	NA
24	200 ha of Stevia as a sugar substitute	STEVIA	\$ 1,384	\$ 250	18.1%	200	600	NA
47	COAGROPACIFICO LTDA-USAID	CACAO	\$ 1,029	\$ 228	22.1%	600	120	S
51	1,000 ha of African Palm in Santander	PALM	\$ 2,663	\$ 565	21.2%	1,000	100	NA
59	1,000 Ha. of Cacao in Marialabaja, Bolivar	CACAO	\$ 6,667	\$ 800	12.0%	1,000	250	NA
80	FEDECAUCHO	RUBBER	\$ 3,367	\$ 880	26.1%	1,723	200	D
89	URAPALMA	PALM	\$ 6,059	\$ 700	11.6%	1,720	200	NA
<b>TOTAL:</b>		<b>7</b>	<b>\$ 37,189</b>	<b>\$ 4,423</b>	<b>11.89%</b>	<b>11,243</b>	<b>4,470</b>	



**PROPOSAL STATUS REPORT AS OF JUNE 30, 2005**

ORDER	COMPANY	PRODUCT	TOTAL COST (USD \$000)	CAPP AMOUNT (USD \$000)	CAPP %	HA. DIRECTLY IMPACTED	FAMILIES DIRECTLY IMPACTED	LAST PHASE
<b>REJECTED OR OTHERWISE REMOVED FROM CONSIDERATION</b>								
2	CONALGODON	COTTON	\$ 8,832	\$ 951	10.77%	21,276	5,319	D
3	U. DE CORDOBA DEPTO. DE AGRONOMIA	STEVIA	\$ 1,346	\$ 862	64.04%	0	0	S
4	HUERTO SAN MIGUEL S.A.	APPLES	\$ 3,373	\$ 475	14.08%	250	250	A
5	VALOR Y ESTRATEGIA	PALM	\$ 6,653	\$ 1,200	18.0%	3,000	600	A
6	EUROSEMILLAS	TOMATO	\$ 2,807	\$ 257	9.16%	20	100	S
8	PROPALMA	PALM	\$80,000	\$ 800	1.0%	10,000	1,000	A
9	AGROGESTION XXI / CORDESA	YUCCA	\$ 173	\$ 82	47.40%	350	42	A
10	RIAGRO INTERNATIONAL S.A.	IRRIGATION DISTRICT	\$ 22,120	\$ 1,096	4.95%	6,300	289	S
11	PLAN COLOMBIA-D.ALTERNATIVO	7 PALM, 1 CAUCHO, 1 CAÑA	\$ 15,314	\$ 71	0.46%	10,250	1,300	S
13	COMMODITIES & BANCA DE INVERSION S.A.	TILAPIA	\$ 1,629	\$ 342	20.99%	22	30	S
14	COMMODITIES & BANCA DE INVERSION S.A.	PALM	\$ 9,237	\$ 314	3.4%	3,270	1,750	A
15	MADECOSTA S.A.	COTTON	\$ 7,829	\$ 866	11.06%	8,000	1,000	A
16	COMMODITIES & BANCA DE INVERSION S.A.	ALCOHOL	\$22,261	\$ 680	3.1%	15,000	2,000	S
17	PIZANO S.A.	FORESTAL	\$ 658	\$ 266	40.43%	2,000	93	S
18	EMPRESA ASOCIATIVA DE TRABAJO	RUBBER	\$ 6,277	\$ 541	8.6%	2,000	200	S
19	BAMBU DE COLOMBIA S.A.	GUADUA	\$ 2,103	\$ 448	21.3%	640	226	D
20	PANACA	MILK	\$11,658	\$ 500	4.3%	1,800	600	D
21	C.I. BANACOL	PLATANO	\$ 1,685	\$ 1,463	86.82%	3,500	1,000	S
22	IDEAS PARA LA PAZ	YUCCA, CORN, BEAN	\$ 633	\$ 72	11.4%	400	50	D
26	CONTINENTAL FOODS	YUCCA AND OTHERS	\$ 2,959	\$ 521	17.6%	1,820	455	A
28	AMIAGRO	CACAO	\$ 2,388	\$ 1,049	43.91%	400	1,000	S
30	COMITÉ CAFETEROS DE RISARALDA	COFFEE	\$ 1,089	\$ 718	65.93%	1,500	750	S
33	VALLENPAZ	CACAO	\$ 0	\$ 0	-	-	-	S
34	PADELPA	PALM	\$ 1,391	\$ 510	36.67%	1,500	0	S
36	AGROTROPICO	FERTILIZERS	\$ 1,128	\$ 0	0.00%	5,850	0	S
37	OPCIONES AGROPECUARIAS S.A.	LIVESTOCK	\$57,931	\$ 0	0.0%	96,000	400	S
38	COMPAÑIA AGRICOLA COLOMBIANA	COTTON AND CORN	\$ 266	\$ 103	38.8%	400	160	A
39	CONSULTOR	SERICULTURA	\$ 0	\$ 200	0.00%	30	100	S
42	PRODUCTORA DE JUGOS S.A.	MORA	\$ 1,653	\$ 576	34.84%	200	155	S
43	COMMODITIES & BANCA DE INVERSION S.A.	PALM	\$15,493	\$ 186	1.2%	5,000	1,000	A
44	INDUPALMA S.A.	PALM	\$ 2,713	\$ 407	15.0%	1,300	100	S
49	BIOAGRO SALAHONDA S.A.-USAID	CACAO	\$ 937	\$ 375	40.0%	500	170	S
53	COMITÉ CAFETEROS DE CAUCA	BEE HONEY	\$ 54	\$ 37	68.9%	-	-	A
54	FUNDESINPA	CORN, SORGUM, SOY, ajo, piña	\$ 0	\$ 0	0.00%	1	180	S
55	AGROFORESTAL DEL MICAY	FORESTAL	\$ 685	\$ 509	74.31%	5,000	80	S
57	A.N.S.A. - C.I.	SHIITAKE MUSHROOM	\$ 1,742	\$ 1,000	57.4%	-	800	S
58	A.N.S.A. - C.I.	POTATOE	\$ 2,266	\$ 981	43.3%	775	200	S
60	FUNDACION CARVAJAL	BLACKBERRY	\$ 318	\$ 166	52.3%	400	300	S
61	CIA. AGRICOLA ESPARRAGOS S.A. CAESA	Esparragos	\$ 0	\$ 0	0.00%	42	55	S
62	DEL ALBA S.A.	MACADAMIA NUT AND COFFEE	\$ 3,793	\$ 0	0.0%	2,000	2,000	S
63	NESTOR GONZALEZ MEJIA	YUCCA	\$ 229	\$ 229	100.00%	600	400	S
66	IND. DEL MAIZ S.A.	CORN, SOY	\$ 3,730	\$ 324	8.69%	4,467	1,650	A
67	AGROESPECIALES DE COLOMBIA	CORN	\$ 14	\$ 0	0.0%	117	-	S
68	COMITÉ CAFETEROS DE CALDAS	COFFEE	\$ 0	\$ 1,993	0.0%	23,360	1,143	A
70	CORSEDA	SERICULTURA	\$ 170	\$ 120	70.6%	-	260	S

ORDER	COMPANY	PRODUCT	TOTAL COST (USD \$000)	CAPP AMOUNT (USD \$000)	CAPP %	HA. DIRECTLY IMPACTED	FAMILIES DIRECTLY IMPACTED	LAST PHASE
<b>REJECTED OR OTHERWISE REMOVED FROM CONSIDERATION</b>								
71	COOSERVES	BEAN, CORN, tomate de arbol	\$ 0	\$ 51	0.00%	150	60	S
72	COOSERVES	Tomate, MILK, peces	\$ 0	\$ 121	0.00%	184	50	S
73	COOAPICA	MIEL DE ABEJA, POLEN DE FLORES	\$ 0	\$ 386	#DIV/0!	200	-	S
74	DULCES RINCONCITO	Panela de guayaba, bocadillo de guayaba, Dulce	\$ 0	\$ 12	0.00%	8	8	S
75	FUNDACIÓN MI VEREDA	YUCCA	\$ 229	\$ 160	70.0%	520	329	S
76	COALCESAR	IRRIGATION DISTRICT: COTTON, SORGUM, RICE	\$ 7,257	\$ 214	2.9%	-	-	A
77	FUNDACION AMANE CER	CITRICS	\$ 749	\$ 438	58.5%	260	228	A
78	FUNDALIANZA	BANANA	\$ 316	\$ 27	8.62%	50	20	FUSION CON No.82
81	PROCEAL S.A.	TILAPIA	\$ 1,539	\$ 345	22.4%	350	60	S
83	CAMARA COMERCIO ARMENIA, U. DEL QUINDIO, Otros.	SPECIAL COFFEE	\$ 275	\$ 193	70.00%	10,000	5,000	S
84	NATURA FLOWERS Y CORPULMUNDO	FLOWERS	\$ 368	\$ 241	65.61%	25	206	S
85	ANTIOQUEÑA DE PORCINOS P&C LTDA	Porcinos	\$ 343	\$ 0	0.00%	136	328	S
86	C.I. SAN ALBERTO MAGNO S.A.	GANADO	\$ 2,105	\$ 0	0.00%	176	0	S
87	CARIBBEAN SESAME S.A.	SESAME	\$ 69	\$ 69	100.0%	1,000	1,000	S
88	PIN S.A.	ASPARAGUS	\$ 1,006	\$ 245	24.4%	90	66	A
90	UT ASOGPADOS & PROMOTORA HACIENDA LAS FLORES	PALM	\$ 1,917	\$ 152	7.91%	1000	143	FUSION CON No. 125
91	ESGO CORPORATION LTDA.	FRUTAS VERDURAS HORTALIZAS	\$ 1,000	\$ 600	60.0%	900	3,300	S
92	UT ECONAT & CIPAV	DEHYDRATED FRUITS	\$ 0	\$ 0	#DIV/0!	-	-	S
93	UT ECONAT & CIPAV	FRUIT PULP	\$ 295	\$ 135	45.8%	1,080	180	S
94	UT ECONAT & CIPAV	MILK BASED PRODUCTS	\$ 147	\$ 60	40.93%	300	150	S
96	INCUBADORA DE AGRUPAMIENTOS AGROINDUSTRIALES DEL URABÁ	HARINA DE PLATANO	\$ 72	\$ 15	21.20%	140	224	S
97	INCUBADORA DE AGRUPAMIENTOS AGROINDUSTRIALES DEL URABÁ	CACAO	\$ 189	\$ 77	40.9%	1,000	300	S
98	INCUBADORA DE AGRUPAMIENTOS AGROINDUSTRIALES DEL URABÁ	CACAO	\$ 197	\$ 82	41.66%	90	306	S
99	INCUBADORA DE AGRUPAMIENTOS AGROINDUSTRIALES DEL URABÁ	PESCADO AND MARISCOS	\$ 143	\$ 15	10.63%	0	0	S
100	AGROLINK INTERNATIONAL	CENTRO DE INSPECCIÓN	\$ 150	\$ 0	0.0%	-	100	S
101	COMITÉ CAFETEROS DE CALDAS	RUBBER	\$ 488	\$ 114	23.4%	80	30	S
102	UMATA (SILVIA-CAUCA)	HORTALIZAS AND FRUTALES	\$ 205	\$ 173	84.52%	100	67	S
103	ASOCIACIÓN AGROPECUARIA DEL HUILA	YUCCA AND CORN	\$ 34	\$ 0	0.00%	30	96	S
104	CLICK POINT PROMOTORA EMPRESARIAL S.A.	RUBBER	\$ 1,240	\$ 0	0.0%	1,000	280	S
105	ALYAL S.A.	STEVIA	\$ 498	\$ 192	38.5%	50	150	S
106	FUNDACIÓN ESPAVÉ	PALM	\$ 275	\$ 239	86.9%	1,100	200	S
107	TOTALLY GREEN	AROMATICAS CULINARIAS AND	\$ 1,942	\$ 625	32.17%	100	100	S
108	ATUN	CACAO	\$ 196	\$ 0	0.00%	200	200	S
109	AGROPECUARIA LA LOMA	PALM	\$ 1,104	\$ 64	5.8%	600	20	S
110	CAUCHOPAR	RUBBER	\$ 468	\$ 47	10.0%	200	40	S
111	ASOPRODUCCAO	CACAO	\$ 4,451	\$ 0	0.0%	2,000	-	S
112	COMPANIA AGROPISCICOLA DEL HUILA S.A.	TILAPIA, CACHAMA BLANCA AND ANIMAL	\$ 397	\$ 144	36.4%	-	-	S
114	COMPANIA AGROINDUSTRIAL YUQUERA SAN PABLO SUR DE BOLIVAR S.A.	YUCCA	\$ 196	\$ 24	12.00%	230	85	S
115	INCUAGRO	PALM	\$ 3,391	\$ 278	8.20%	1000	300	S
116	CORDEAGRO PAZ	CACAO	\$ 1,029	\$ 228	22.12%	200	67	A
118	JORGE ARTURO DIAZ REYES	STEVIA	\$ 497	\$ 393	79.1%	350	-	S
120	COOSERVES	Potatoe, curuba, blackberry, bean, corn, tomate de arbol.	\$ 432	\$ 296	68.48%	350	350	S
121	CORPORACION COLOMBIA INTERNACIONAL	CACAO	\$ 1,984	\$ 178	9.0%	600	45	S
122	CORPORACION COLOMBIA INTERNACIONAL	RUBBER	\$ 1,076	\$ 94	8.75%	300	25	S
128	FUNDACION CATATUMBO - FUNDESCAT	CACAO	\$ 6,314	\$ 1,224	19.38%	1700	340	S
<b>TOTAL:</b>		<b>90</b>	<b>\$ 350,115</b>	<b>\$ 29,238</b>	<b>8.35%</b>	<b>267,189</b>	<b>41,658</b>	

ORDER	COMPANY	PRODUCT	TOTAL COST (USD \$000)	CAPP AMOUNT (USD \$000)	CAPP %	HA. DIRECTLY IMPACTED	FAMILIES DIRECTLY IMPACTED
<b>NEW PROBABLE SIGNED AGREEMENTS, MODIFICATIONS, EXTENSIONS*</b>							
# 29 -01	HUGO RESTREPO Y CIA.	PEPPERS	\$ 1,325	\$ 150	11.32%	150	450
# 41-19	FINAGRO COTTON	COTTON	\$ 14,180	\$ 800	5.64%	8,000	600
<b>TOTAL:</b>		<b>2</b>	<b>\$ 15,505</b>	<b>\$ 950</b>	<b>6%</b>	<b>8,150</b>	<b>1,050</b>

## Appendix 3

### Projections of Departments and Municipalities Benefited

Department	Municipalities	# of Municipalities
Antioquia	Alejandria, Amalfi, Barbosa, Concepción, Concordia, Dabeiba, Ebéjico, El Santuario, Envigado, Giraldo, Girardota, Gomez Plata, Guarne, Jericó, Maceo, Montelibano, Pueblorrico, Retiro, San Rafael, San Vicente, Santa Bárbara, Támesis, Urrao, Yolombó	24
Arauca	Arauca	1
Atlántico	Barranquilla, Campo de la Cruz, Candelaria, Malambo, Manati, Polonuevo, Repelón, Sabanalarga, Santa Lucia, Santo Tomás, Suán	11
Bolívar	San Pablo, Simití, Río Viejo, Carmen de Bolívar	4
Caldas	Aguadas, Anserma, Aranzazu, Belarcazar, Chinchiná, Manizales, Manzanares, Marquetalia, Neira, Pácora, Pensilvania, Palestina, Riosucio, Salamina, Samana, San José, Viterbo, Villamaria	18
Casanare	Villanueva, Sabanalarga	2
Cauca	Cajibío, Caldono, El Tambo, Morales, Piendamó, Popayán, Santander de Quilichao, Silvia, Sotará, Timbio, Totoró	11
Cesar	Aguachica, Agustín Codazzi, Becerril, Bosconia, Chimichagua, Chiriguana, Curumani, El Copey, La Gloria, La Paz, Manaure, Pailitas, Pueblo Bello, San Diego, San Martín, Talamameque, Valledupar.	17
Córdoba	Canalete, Ciénaga de Oro, La Apartada, Montelibano, Montería, Planeta Rica, Pueblo Nuevo, Sahagún, Tierralta, Valencia	10
Chocó	Belén de Bajirá	1
Huila	Aipe, Isnos, La Plata, Rivera, Tarqui, Tello, Tesalia, Yaguará	8
La Guajira	Barrancas, Dibulla, El Molino, Fonseca, La Jagua del Pilar, Maicao, Rioacha, San Juan del Cesar, Urumita, Villanueva.	10
Magdalena	Aracataca, Ciénaga, El Piñon, El Retén, Fundación, Pivijay, Pueblo Viejo, Santa Marta, Zona Bananera	9
Nariño	Alban (San Jose), Andes, Arboleda, Belén, Buesaco, Chachagüí, Colón(Génova), Consacá, Cumbitá, El Peñol, El Tambo, Guaitarilla, Imues, La Cruz, La Florida, La Unión, Mallama (Piedrancha), Nariño, Pasto, Providencia, Samaniego, San Bernardo, San Lorenzo, San Pablo, San Pedro de Cartago, Tumaco	26
Norte de Santander	Cúcuta, El Zulia, Puerto Santander, Sardinata, Tibú	5
Quindío	Quimbaya	1
Risaralda	Belen de Umbria, Guática, Santa Rosa de Cabal	3
Santander	El Carmen, La Paz, Landázuri, Puerto Wilches, Rionegro, Sabana de Torres, San Vicente de Chucurí, Barrancabermeja, Bolívar, Cimitarra	10
Sucre	Buenavista, Corozal, Galeras, Morroa, Ovejas, San Juan de Betulia, San Onofre, Sincé, Sincelejo, Tolúviejo	10
Tolima	Líbano, Melgar	2
Valle del Cauca	Andalucía, Buga, Bolívar, Calima (El Darién), Candelaria, Dagua, Jamundí, La Cumbre, La Unión, Palmira, Riofrio, Roldanillo, Tuluá, Versalles, Vijes, Yotoco, Yumbo, Zarzal	18
<b>TOTAL MUNICIPALITIES</b>		<b>201</b>

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## Appendix 4

### Overview of Projects Previously Passed Into Implementation

#### Patrimonios Autonomos Cotton - #041

This Project supports the ORGANIZACIONES DE PRODUCTORES (Producer Associations) to plant **4,989 new hectares** of cotton in northern Cesar, and southern Guajira, in the municipalities of Valledupar, Villanueva, Codazzi, Maicao, San Juan del Cesar, El Molino, La Jagua, San Diego and Becerril. It is benefiting **273 families**, and is generating 309,300 workdays.

The total cost and financing sources are Finagro \$2,887,000 (65.1%) in credit, the producers' own in-kind resources \$1,328,000 (30%), and CAPP \$218,000 (4.9%), for a total investment of \$4.4 million.

Management of the Project is being done through the 9 Producer Associations, each having an operator who offers technical assistance and provides administrative and logistic support. CAPP pays the operator's expenses. CAPP's support will also cover the expenses of production technical assistance, supervision and logistic support, a FAG Guarantee by Finagro, and forward sales contract and Fiduciary costs. Both Finagro and CAPP funding are channeled through patrimonios autonomos (trust accounts) administered by a fiduciary.

The total expected production is 3,659 tons of seed cotton, sold through forward contracts subscribed with Diagonal S.A., Colombia's main cotton buyer, and 5,367 tons of seed to be sold to the edible oils and animal feed concentrate industries. **Producer net income is anticipated to average \$5,000 per family.**

#### African Palm Projects – #031, #032, and #056

**C.I. EL ROBLE S.A., C.I. TEQUENDAMA S.A., and GRADESA S.A.** will develop, under strategic alliances with associations of small farmers, a total of **4,422 new hectares** of African Palm trees in the municipalities of Zona Bananera of the department of Santa Marta, El Retén and Aracataca in the Department of Magdalena, and the municipalities of El Copey and Chiriguaná in the Department of Cesar. Fundalianza, a non-profit foundation, will manage all three Projects. Twelve associations will participate with a total of **413 families**, and will use credit resources from Finagro via Banco Agrario.

The total value of the three Projects is \$8.1 million. Banco Agrario – Finagro will finance \$5.9 million, farmers will contribute \$1.4 million in labor, and CAPP will contribute \$788,000 for technical assistance to plant and manage the trees, as well as entrepreneurial training to growers provided by Fundalianza. Sale of the crop is guaranteed via long-term (25-year) contracts with palm oil processing plants.

As a part of these three Projects, 1,130 hectares of organic African Palm will be planted, with full technological, agricultural and marketing support provided by C.I. Tequendama, traditional exporters of organic products.

During the pre-production stage, each producer receives the equivalent of \$10.30 per month for each hectare planted, for his/her labor to maintain the trees, and is assisted technically and commercially in the development of short-term crops. This will allow them to have enough income to satisfy their family needs until the palm trees start producing. **Net income to farmers is estimated at \$4,138 per year** when the plantations are in full production.

#### Agrofrut - #012



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C.I. AGROFRUT S.A. is located in Medellín, and processes and markets frozen fruit pulp. The company's annual sales are currently \$3.7 million, and their processing capacity is 3,000 tons. Due to an increase in international orders, a new production facility needs to be built, and their raw fruit supply increased.

The new facility is being constructed in the Municipality of Estrella, near Medellín, and will have the capacity to process 10,000 tons of products per year. In order to reach this production level, new plantings of more than 1,180 hectares of fruits and vegetables need to be made. The crops being planted are passion fruit, "lulo", blackberry, papaya, yucca (cassava), various vegetables, strawberry, "criolla" type potatoes, "black" type potato, and sour sop tree fruit (Guanábana). These increased plantings will be accomplished via strategic alliances with associations of small producers in 28 municipalities and 8 departments.

AGROFRUT will invest **\$6.5 million** in the new plant. CAPP will support the Project with **\$827,000** in technical assistance for the planting of the new crops, and to help design the new processing and packaging plant. Private banks will provide loans for constructing and equipping the new plant. AGROFRUT will support the expansion of agricultural production by cash advances against future sales, and providing producers with high quality raw materials at competitive prices via bulk buying.

During CAPP's current term, **670 new hectares** will be planted and **1,005 new families** will benefit via an **average monthly income increase of \$165**, or 42% more than the minimum monthly salary in Colombia.

#### **CEA - #023**

Compania Envasadora del Atlantico Ltda. (CEA), of Barranquilla is the proponent of this Project. CEA has been in the food processing business for more than 20 years, and in the fruit pulp export business for the last 9 years.

The Project involves the planting of 1,483 hectares of passion fruit (a.k.a. "maracuya"), to be used by CEA for the production of juice concentrate. The planting will occur in 24 municipalities in the five departments of Cesar, Guajira, Cordoba, Sucre, and Magdalena, providing direct employment to 813 families. The Project also involves the expansion of CEA's existing plant, in order to process the incremental fruit created by the Project.

CEA is acting as both the Project integrator and proponent, providing grower associations with forward contracts for all production from the Project. CEA will therefore provide an assured market for 100% of the Project's agricultural output, secure a supply of fruit for their fruit pulp business, and expand their fruit pulp processing plant.

Ninety six percent of CEA's production is exported, with shipments going primarily to the US, the EU and Asia. CEA has developed a strong position in the international fruit pulp market via the use of local, high quality mango. With this Project it is expanding into the passion fruit pulp business, based on requests from its international customers.

CEA has selected Fundacea, a CEA subsidiary, as the program operator. Fundacea has been the operator for all three of CEA's agricultural production programs.

The program is financed by a number of entities, including the individual fruit growers (US\$2.1 million), Finagro (US\$1.0 million), CEA (US\$3.0 million), CAPP (US\$ 698,000), and other public and private entities (US\$69,000). Total investment Project investment is US\$6.9 million.

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Eighty percent of the Finagro US\$1 Million loan to 14 producer associations is guaranteed by the Colombian government, and the remaining 20% is guaranteed by CEA.

### **Hugo Restrepo - #029**

Restrepo contracts with small farmers to grow chili peppers, which it then processes into a paste for producers of Tabasco, and other chili-type sauces. The paste is sold to overseas customers in the US, Europe and the Middle East on long term (one year and greater) contracts. These customers then use the paste to make retail chili sauces.

Restrepo has decided to increase its sales by expanding production and creating retail products. To do so the company will invest in new production plant and equipment, and significantly broaden its base of contract farmers. Restrepo has asked CAPP to assist in this Project by supporting the cost of the new plant design and machinery layout, as well as technical assistance and training of both the workers in the new plant, and the new contract growers.

The Project will result in the employment of **1952 families**, plus **135 new hectares** of chili production. The high number of families employed is a function of the labor-intensity of chili pepper production. Total Project impact, including activities that will take place after CAPP's current term, will be greater than 3,000 families and 300 hectares.

CAPP is contributing \$148,000 to the Project, Restrepo is investing \$267,000, and the growers will contribute an additional \$645,000 for a total Project cost of \$1,0 million.

### **Ecobio - #079**

The objective of this program is to plant 2,000 hectares of organic cacao in the Sierra Nevada region, near the Colombian city of Santa Marta, in the Departments of Magdalena, Cesar and Guajira; plus the construction of a cacao processing plant in Santa Marta.

524 families will directly benefit via the participation of ten grower associations. The goal of the program is to organize and train the growers, via their associations, on how to profitably and sustainably manage their individual cocoa plantations, thereby creating an incentive for them not to become involved in the production of illicit crops.

The new plantings will be developed via a strategic alliance between Ecobio and the grower associations that will plant, through 2004, a total of 2,000 new hectares of organic cacao.

The total cost for the program, including CAPP participation, will be US\$7.9 million. Finagro will finance 41% of the project via a loan to growers with an interest rate of DTF + 2%. The total cost of the program includes an investment of US\$3.1 million for the construction of the cacao processing plant.

The growers will provide 10% of the total program cost in-kind, or \$800,000, by providing labor to both plant and maintain the individual farms. CAPP will provide the remaining 10%, or \$780,000.

Ecobio has signed a 12-year purchase contract with the grower associations for all the production produced by this Project. A contract of this type is mandatory for Finagro to finance the Project. To process all production from the 2,000 hectares, Ecobio will build a plant in Santa Marta to produce cocoa powder, cocoa butter and cocoa liquor.

### **Cooproagrosur #050**



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The growers' cooperative Cooprogrosur is the proponent of this Project. Cooprogrosur's goal is to eradicate illicit crops and reduce unemployment in the area by helping to provide viable alternatives to growers. In total 100 families are members of Cooprogrosur. The objective of this Project is to plant 400 hectares of African palm in the municipality of Simití, Department of Bolívar. One hundred families will directly benefit via their participation in Cooprogrosur. The Project approach is to organize and train the growers, via their cooperative, on how to profitably and sustainably manage their collective palm plantations, thereby creating incentives for them to either desist from growing, or not become involved in the production of illicit crops.

Total Project investment for the 400 hectares, including CAPP's participation, will be \$848,972. FINAGRO will finance 67% of this amount via a loan. CAPP's commitment will be to provide US\$63,519 – or 7% of the Project cost - to pay agricultural and administrative technical assistance, FAG costs, loan approval coordination, and fiduciary services. CAPP's support will be provided via a PO to the Cooprogrosur. Palmeras de Puerto Wilches, a palm-fruit processing company located near the cooperative's plantation, has provided a letter of intent to purchase 12-year's worth of annual production, at prevailing market prices. A contract of this type is mandatory for the Finagro FAG, to ensure that the Project has an assured market for its produce.

### **Cordeagropaz #064**

Cordeagropaz is the proponent of this Project and currently works as an operator with seven African palm grower associations in the region of Tumaco. The objective of the Project is to plant 3,053 hectares African palm trees in the municipality Tumaco, department of Nariño. Four hundred thirty six families will directly benefit. The Project approach is to organize and train the growers, via their associations, how to profitably and sustainably manage their individual palm plantations, thereby creating incentives for them either to desist from growing or not to become involved in the production of illicit crops.

The growers will provide 19% of the \$6.7 million total Project cost “in kind” by providing labor to plant and maintain their individual farms. CAPP will provide funding for the remaining 9% of total Project cost. CAPP's commitment will be to provide US \$857,000, or 13% of Project cost via a standard contract. The palm fruit processing plants involved in the Project have signed a 12-year purchase contract with the grower associations for all of the production produced in this Project. A contract of this type is mandatory for Finagro to guarantee the commercial bank financing of the Project.

### **Compañía de Empaques S.A. - #025**

The objective of this project is to plant 800 new hectares of fique, in very small plots (often along fence rows) on a total of 4,000 hectares at a density of 800 plants per hectare. These plantings will occur in 38 Colombian municipalities in the departments of Antioquia, Caldas, Risaralda and Nariño.

A total of 1,334 families will directly benefit from this project, and will receive training to manage their individual fique farms efficiently, profitably and sustainably.

CAPP will provide US\$235,634 to Compañía de Empaques (CdE) via a Standard Grant. The amount of CAPP support per hectare (800 in total) is US\$295 and per family (1,334 families in total) is US\$177. CAPP is providing nearly 19% of the project cost via support for production technical assistance and training. The CAPP's participation percentage expressed below is calculated over the entire three year pre-production period. The project does not involve any financial institutions.

CdE will provide assistance equivalent to 21% of the total project cost. As part of this support, CdE will pay for half the cost of the nursery plants, de-fibering machines, wash basins and drying structures, and selected agricultural tools. CdE will also pay for over half of the project's Technical Assistance needs, as well as costs associated with the provision of local de-fibering stations.



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CdE is managing the project so will be responsible for contracting and managing the agricultural and managerial technical assistance to fique growers. CdE will buy one hundred percent of the fique fiber produced under this project via purchase agreements. **Producer net income is estimated at US\$1,045 per year.**

#### **Empaques del Cauca S.A. - #027**

The objective of this project is the planting of 600 new hectares of fique, in small plots, across a total of 1,500 hectares, at a density of 1,500 plants per hectare. The plantings will occur in eleven municipalities of the Department of Cauca.

Empaques del Cauca (EdC) is the proponent and operator of the project, and is responsible for contracting agricultural and managerial technical assistance to growers. It has also committed, via purchase contracts, to buy all fique fiber production created by the project, and to pay for the transport of all fiber from the farms to its fique gathering centers. EdC also owns fique plant nurseries that will provide young plants to be transplanted on the producers' farms.

Purchase contracts will be signed between EdC and the growers. Growers will contribute 66% of the total project investment via labor and the provision of supplies such as organic fertilizer. EdC will finance 21% of the investment in the form of supplies such as nursery materials, technical assistance, tanks for the washing of raw fique, and the fique plants themselves.

CAPP will contribute 13% of total project costs, to go toward seed certification, soil analysis, fique production technical assistance, training workshops, brochures (manuals) and booklets. (CAPP's participation percentage has been calculated over the entire period of pre-production investment. Over the period of CAPP's twelve month fixed obligation grant however, CAPP's percentage contribution is 24%). CAPP will provide the equivalent of US\$136,749 (COP\$366,771,400) to EdC via a Fixed Obligation Grant (FOG). The amount of CAPP support is US\$228 per hectare (600 hectares total), and US\$137 per family (1,000 families in total). **Producer net income is estimated at US\$903 per year.**

#### **Compañía San Pablo - #035**

The objective of this Project is to plant 2,000 hectares of African palm trees, directly benefiting 200 grower-families (plus an additional 70 working families who will provide labor to the farms), for a total of 270 families benefiting directly. The Project proponent and operator is "Compañía Palmera de San Pablo, Sur de Bolívar S.A. ("Cia San Pablo"). This organization will directly manage 3,000 hectares of African palm, of which CAPP will provide support for 1,000 hectares. The company has been created specifically to serve as the operator of this Project, and has passed a CAPP-performed PARD/PAS.

A second African palm project management company, "Compañía Palmera de Simití, Sur de Bolívar S.A." ("Cia Simití"), will directly manage a second 3,000 hectares, of which 1,000 hectares will be supported by CAPP. This company has also been created specifically for this Project.

CAPP will provide US\$798,376, or 13.4% of total funding, to Cia San Pablo via a grant with a 36 month term. These resources will be used to pay for project coordination, training, technical assistance, a processing plant feasibility study, environmental training and the creation of environmental training manuals.

#### **Palmares el Portico Ltda. - #045**

The objective of this former Convocatoria project is to plant 2,100 new hectares of African palm trees in the three municipalities of San Vicente de Chucurí, Barrancabermeja, and Sabana de Torres, all in the

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Department of Santander, ultimately directly benefiting 210 families. The project will organize and train the growers, via their associations, on how to profitably and sustainably manage their small, individually-owned African palm plantations, thereby creating incentives for them to either desist from producing, or not become involved in the production of, illicit crops. Three different grower associations are participating in this project, the members of which will provide the land where the farms will be developed, plus in-kind labor to plant and maintain the plantations.

CAPP will provide US\$1,190,590, equivalent to 23% of the total project cost, to Palmares via a Standard Grant, with a three-year term. CAPP's support will be used primarily for overall project coordination, technical, managerial, and interpersonal training, the costs of studies, the cost of FAG guarantees, fiduciary services costs, and loan approval coordination.

### **Cacaos del Cesar - #046**

The objective of this former Convocatoria project is to plant 1,000 hectares of cacao in the municipality of La Gloria, in the department of Cesar. Four hundred families will directly benefit via the participation of three grower associations: Asotramata I, II and III. The goal of the project is to organize and train the growers, via their associations, and under the direction of the project operator Cacao del Cesar, on how to profitably and sustainably manage their individual cacao plantations on their own land, thereby creating an incentive for the growers not to become involved in the production of illicit crops.

CAPP will provide US\$1,271,336, or 27.2% of total project cost, to Cacao del Cesar via a Standard Grant with a three-year (36 month) term. CAPP's support will be primarily for project coordination, and community, interpersonal, technical, and managerial training; the cost of FAG guarantees, fiduciary services, loan approval coordination, and 25% of the cost of the nursery plants.

### **Asbama - #082**

The objective of this project is to plant 400 hectares of Williams variety bananas in the Colombian municipality of Zona Bananera, in the Department of Magdalena. Sixteen families will directly benefit via their participation in the grower association Asbama. An additional 260 working families will also benefit directly via their involvement in the project, for a total of 276 families benefiting directly.

The project approach is to organize and train the growers, via their association, on how to profitably and sustainably manage their individual banana plantations, thereby creating an incentive for them to either desist from growing, or not become involved in the production of, illicit crops.

In total, 80 families, who own a total of 2,500 hectares of production, are members of Asbama. Sixteen of these families will participate in this particular project as association members and farm owners, who in turn will hire an additional 260 workers who will directly benefit from the project.

CAPP's commitment will be to provide US\$316,151, or 11% of the cost of this phase of the project. CAPP's support will be used to pay part of the interpersonal, technical and managerial training, technical assistance, and labor adjustments.

### **Frutimacizo S.A. - #095**

The objective of this Project is to plant and market the production of 250 new hectares of Tamarillo (a type of tree tomato) in the municipality of Sotará, department of Cauca, and the municipality of Isnos, Department of Huila. A total of 250 families will benefit from this project. In the near term, the fruit will be sold fresh to wholesalers in Cali (Department of Valle del Cauca) and Ipiales (Department of Nariño), and in the medium-term will be exported to Ecuador, Peru and Panama.

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The Project approach is to organize and train the growers, via their associations, on how to profitably and sustainably manage their Tamarillo plantations, so as not to become involved in the production of illicit crops.

Frutales del Macizo Colombiano S.A. (Frutimacizo) is the Project proponent. By promoting Tamarillo production and sales, Frutimacizo is promoting the economic and social development of the municipalities of Sotará and Isnos.

CAPP's total support for this Project will be US\$97,720, of which US\$87,955 will be disbursed during the pre-productive Project phase (in 2004) and US\$9,765 during the first two months of production (in July and August, 2005).

### **Fundescat - #123**

The objective of this former Convocatoria project is to plant 1,500 hectares of cacao in the five municipalities of San Jose de Cúcuta, El Zulia, Tibú, Puerto Santander and Sardinata, in the department of Norte de Santander. Three hundred families will directly benefit via the participation of four grower associations: Asocaps, Asocamar, Asocapaca, and Asocagua. The project operator will be the NGO, Fundescat. The goal of the project is to organize and train the growers, via the above associations on how to profitably and sustainably manage their individual cacao plantations on their own land, thereby creating an incentive for them not to become involved in the production of illicit crops.

CAPP will provide US\$1,308,191, or 21% of total project cost, to Fundescat via a Standard Grant with a three-year (36-month) term. CAPP's support will be used primarily for the cost of project coordination; community/interpersonal, technical, and managerial training; and the cost of FAG guarantees, fiduciary services, loan approval coordination, and 25% of the cost of the nursery plants to be used in the project.

### **Asogpados - #125**

The objective of this former Convocatoria project is to plant 4,000 new hectares of African palm, benefiting 400 families in the Municipalities of Tibu, and Sardinata, in the department of Norte de Santander. The project will organize and train the growers, via their grower associations, on how to profitably and sustainably manage their small, individually-owned African palm plantations, thereby creating incentives for them to either desist from growing, or not be become involved in the production of, illicit crops. The recipient of CAPP's grant for the project is Promotora Hacienda las Flores ("Promotora"), which will receive a grant for a 36 month term. The project operator is the grower association Asogpados. Members of five different grower sub-associations participating in this project will provide the land where the farms will be developed, and in-kind labor to plant and maintain the plantations.

CAPP will provide US\$2,382,491, or 19% of the total project cost, to Promotora via a Standard Grant with a three-year term. CAPP's support will be primarily for project indirect costs such as overall project coordination, social, technical, managerial and entrepreneurial training, FAG costs, fiduciary costs and loan approval coordination, and land preparation.

### **Promotora Hacienda de las Flores - #125P**

The objective of this former Convocatoria Project is to construct an African palm fruit crushing plant which will ultimately, over a five year period, reach a 45 ton/hour capacity to press the fruit of 6,500 new hectares of African palm trees. One thousand hectares were planted in 2003 as part of a Chemonics' project, with the proponent Asogpados. Four thousand of hectares will be planted via the proponent Asogpados as CAPP project #125, and 1,500 hectares will be planted via the grower association Estam, as CAPP project #126. The Project will provide an opportunity for CAPP-supported grower associations to receive additional income, via their participation as minority stockholders in the new crushing plant. This

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income will create an additional incentive for growers not to grow, or become involved in, the production of illicit crops.

CAPP will provide US\$588,477, or 13% of the total Project cost, to Promotora via a Standard Grant, with a 36 month term. CAPP funds will be used for site selection, environmental studies, and plant engineering design costs. These CAPP-provided funds will be shown on the processing plant accounting "books" as a grower investment, for which shares in the plant will be provided to the growers via their associations.

#### **Estam - #126**

The objective of this former Convocatoria project is to plant 1,500 new hectares of African palm trees, directly benefiting 150 families in the Municipality of Tibu, in the department of Norte de Santander. The project will organize and train the growers, through their grower associations, on how to profitably and sustainably manage their small, individually-owned African palm plantations, thereby creating incentives for them to either desist from growing, or not be become involved in the production of illicit crops. Members of the two grower associations participating in this project will provide the land where the farms will be developed, as well as in-kind labor to plant and maintain the plantations.

CAPP will provide US\$1,104,577, or 23% of the total project cost, to Promotora via a Standard Grant with a three-year term. CAPP's support will be primarily for project coordination, land preparation, interpersonal, technical, and managerial training, the cost of FAG guarantees, fiduciary costs and loan approval coordination.

#### **Corporación Solidaria Nanyanva – Project #040**

The Project objective is to plant 600 hectares of cacao, directly benefiting 205 families. One hundred eighty grower-families will be involved, who are members of four grower associations located in the municipalities of Yaguará, Aipe, Tello and Tesalia, in the Department of Huila. An additional 25 families will also directly benefit via employment in a new chocolate factory linked to this Project, bringing the total families directly benefiting to 205.

The buyer of the Project's cacao, Tolimax, will build a new cacao processing plant that will allow it to process a greater volume of cacao than it can do so presently. Therefore, linking Tolimax (and its increased processing capacity) with the growers will provide additional raw material for Tolimax' increased capacity, and provide growers with an assured market for their product.

The Project proponent and operator is the NGO "Nanyanva", which was selected given its experience in the implementation of agricultural Projects in the region.

CAPP will provide a 30-month Standard Grant to Nanyanva for US\$928,118, to support both the agricultural and industrial portion of the project. These resources are equivalent to 16% of total project cost, and will be used to pay the costs of agronomists, administrative assistance; technical, managerial and environmental training; agriculture studies, industrial studies and designs, FAG guarantees and fiduciary services. The grant will close no later than September 30, 2007.

#### **Fundación del Alto Magdalena - Project #048**

The objective of this Project is to plant 510 hectares of cacao in the municipalities of Tarqui and La Plata, in the Department of Huila. One hundred (100) families will directly benefit via the participation of two grower associations. This is a former Convocatoria Project that was transferred to CAPP for development and possible implementation.

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CAPP will provide US\$630,366 to the Project operator and proponent, Fundacion Alto Magdalena, via a Standard Grant with an approximately 32-month term. CAPP resources are equivalent to 24.9% of total Project cost.

CAPP's support will be primarily for such costs as Project coordination; community/interpersonal, technical, managerial and entrepreneurial training; plus the cost of FAG guarantees, fiduciary services, loan approval coordination, and 25% of the cost of the nursery plants involved in the Project.

### **Propalma – Project #052**

The objective of this Project is to plant 10,000 hectares of African Palm trees over a 19-month period, in the departments of Magdalena, Santander, Bolivar, Meta, Cesar and Nariño.

This Project will do so through an innovative financing mechanism, implemented via Colombia's stock exchange, called "titularizacion", or securitization. Securitization converts future cash flows from the sales of African palm fruit to cash, via the sale of bonds. The growers involved in the Project will use this cash to fund the Project and plant 10,000 hectares of African palm trees.

One thousand two hundred and ninety four (1,294) families will directly benefit, i.e., 44 grower families and 1,250 laborers. Additional employment will occur when the 10,000 hectares begin producing fruit that is transported, processed into oil, and the palm oil refined and shipped. The employment generated in the Project will decrease the growing of illicit crops via the creation of licit employment alternatives.

CAPP's participation will be via a 19-month Standard Grant to the Project operator and proponent Propalma, for approximately US\$855,702. This grant will be used to cover part of the "pre-transactional costs" of the securitization process, i.e., the cost of a whole series of activities (e.g., registration fees, auditors' fees, etc.) that need to occur before the bonds can be issued.

CAPP will also support many of the bond issue "transactional costs", i.e., the cost of activities that occur during and after the bond issue (e.g., brokerage commissions, project follow-up costs, grower training, etc.). Most of the costs to be supported by CAPP will occur after the sales of the bonds themselves.

The total cost for this Project, including CAPP's participation, is estimated to be US\$34.2 million, with CAPP's participation at 2.5% of total cost. No banks are involved in this Project, and all financing will occur via the securitization process described above.

### **CASE - Project #117**

The objective of this Project is to plant 1,500 hectares of cacao in the municipality of Maceo, Department of Antioquia. Six hundred (600) families will directly benefit via their participation in this Project.

Participants include one cacao-production grower association, two additional grower associations to be created for the Project, one cooperative named "Cooperativa Multiactiva" (which will serve as the Project fiduciary), and four individual growers who are not affiliated with grower associations.

CAPP will provide US\$1,307,672 to the Project proponent and operator Compañia Agricola de Servicios Especiales ("CASE"), via a Standard Grant with a term of about 30 months. CAPP resources are equivalent to the 13.2% of total Project cost. CAPP's support will be primarily for Project coordination; community, interpersonal, technical, managerial and entrepreneurial training; FAG guarantee costs, fiduciary services, and loan approval coordination.

### **C.I. Tequendama - Project #119**

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The Project objective is to plant 5,000 new hectares of African palm trees, which will directly benefit 700 families, in the municipality of Rio Viejo, Department of Bolivar, in the Medio Magdalena region of Colombia.

The Project will organize and train the growers, through four grower associations and thirteen worker cooperatives, on how to profitably and sustainably manage small, medium and large individually-owned, African palm plantations. This Project will create incentives for them to either desist from producing, or not be become involved in the production of, illicit crops.

During the first six years of the Project, Finagro loans, and grower and CAPP resources toward the Project will total nearly US\$15.3 million. CAPP's participation, at US\$1.79 million, is equal to 11.7% of total Project cost (over six years of Project investment), or 17.9% of costs during CAPP's LoP.

Project activities to be supported by CAPP include interpersonal/managerial training, loan approval coordination, technical assistance, FAG guarantees, fiduciary services fees, environmental requirements, and specific administration expenses.

### **Aldea - Project #124**

The objective of this Project is to plant 1,665 hectares of cacao in the municipality of Zulia, department of Norte de Santander.

Three hundred and thirty three (333) families will directly benefit via the participation of five grower associations. Two of these associations have already been created (Asocasam and Asocazul), and the remaining three associations are in the process of being registered.

CAPP will provide US\$1,323,063 to the Project proponent, C.I. Aldea, via a Sub-Contract with the fiduciary involved with the Project, FiduBogotá. The Sub-Contract will have a term of about 32 months, with disbursements not to occur past September 30, 2007. CAPP resources are equivalent to the 17.65% of total Project cost.

CAPP's support will be primarily for Project coordination; community, interpersonal, technical, and managerial training; plus the cost of FAG guarantees, fiduciary services, loan approval coordination, and 25% of the cost of the nursery plants involved in the Project.

### **Fedecacao – Project # 001**

The Project objective is to plant 700 new hectares of cacao that will directly benefit 350 families in the municipalities of Rio Negro, Playón, Girón, and El Carmen, department of Santander. One hundred percent of the production will be sold via purchase contracts to the Colombian chocolate manufacturer Casa Luker for at least the first eight years of the Project, after which the contracts will be up for renewal.

A total of 350 families, organized into two grower associations, Asomucari and Aprocar, will directly benefit via their involvement in the Project. These two associations will organize and help train the growers (using CAPP resources) on how to manage their individual cacao plantations profitably and sustainably. The Project will create incentives for the growers to not be become involved in the production of illicit crops.

High yielding cacao varietal clones will be used for the Project. These varieties have been tested by Fedecacao (Colombia's cacao-grower association), Corpoica (a Colombian grower-support and research organization), Nacional de Chocolates (a large Colombian chocolate manufacturer) and Casa Luker. In addition to their high yields, the cacao varieties to be planted have a high fat content, good aroma and flavor, and are disease intolerant.

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This Project represents the first phase of a larger cacao-production Project whose goal is to plant 3,200 hectares of cacao in Colombia within a 5year period. The first phase involves the planting of 1,600 hectares in the department of Santander (including the CAPP portion of the Project, involving the planting of 700 hectares in 2005/2006), and an additional 1,600 hectares to be planted in the departments of Huila, Antioquia and Arauca.

CAPP will provide a 30-month Standard Grant to Fedecacao for US\$520,000 to support both the agricultural and industrial portion of the project. These resources are equivalent to 12% of total project cost, and will be used to pay agronomists, administrative assistance, technical, managerial and environmental training, agriculture studies, industrial studies and designs, FAG guarantees and fiduciary services.